# FINANCIAL TIMES

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# Many thousands greet The Queen at her Jubilee

## Sea of flags lines the route

**Hundreds of thousands of people braved the stormy weather to line the route from Buckingham Palace to St. Paul's Cathedral yesterday, where the Queen, flanked by her family, celebrated 25 years of her reign at a Thanksgiving Service.**

As the Queen rode in the Gold State Coach — last used at her Coronation — she waved, *smiled and laughed* at the sea of Union flags waved by people from the four corners of the world.

Particularly in evidence were the teenagers. Thousands had flocked to London on Monday to make sure of a prime place at the barrier, camping out in a night of rain.

Almost the entire royal family was at the cathedral — from Princess Alice, Countess of Athlone, 94, Queen Victoria's grand-daughter, to Lord Nicholas Windsor, the Duke of Kent's six-year-old son.

When the Queen, with the Duke at her side, arrived at the West Door, a roar could be heard from inside the cathedral.

During the service the congregation sang the hymn "All people that on earth do dwell" which was used at the Coronation. Tactfully, one of the other hymns was to a traditional Scottish melody and another to a Welsh hymn tune.

In his sermon, Dr. Donald Coggan, Archbishop of Canterbury, said the service would be remembered as "an occasion of great splendour and deep joy."

For many who had waited as long as 24 hours for a glimpse of the Queen, her walkabout to the Guildhall was the high-spot of the Jubilee. Crowds 30 deep pressed forward at her approach and the Queen paused to talk to as many as she could, leaving them breathless, *elated* and honoured.

The Queen stooped to receive an unofficial bouquet of two red roses from a little boy in the crowd. At the Church of St. Mary le Bow, she was presented with a silver replica of the Great Bell of Bow. The Queen rang the bell and laughed.

●The royal family acknowledges the cheers of the crowd from the balcony of Buckingham Palace. Left to right: Prince Charles, Prince Edward, Prince Andrew, Lord Mountbatten, The Queen, Prince Philip, Captain Mark Phillips and Princess Anne.

Story and pictures, Page 13

## NEWS SUMMARY

### GENERAL

### 'Amin jet' hoodwinks the Irish

An Aer Lingus training aircraft circled Dublin Airport for over three hours after the Irish Government, alerted by the Embassy in Kampala that President Amin might fly to Ireland, bad instructed that it would not be allowed to land except in emergency or for fuelling.

Troops and TV camera crews were rushed to the airport where the mystery aircraft refused to identify itself. It was thought that President Idi Amin Dada's pilot was using the tactic of burning up fuel so that he could plead emergency. Only when "Uganda 345" was locked into the Dublin approach pattern was its pilot at last identified as a bewildered Aer Lingus employee.

Radio Uganda said last night that President Amin had arrived in an un-named Arab country on his way to the Commonwealth Conference in London. Men and Matters, Page 14

### Head teachers' plan on meals

The National Association of Head Teachers, meeting in Southport, overwhelmingly carried a motion urging that the charge for school meals should be raised from 15p to the full economic rate of 50p a day. Conference was told that ending subsidies could provide jobs for 12,000 more teachers. Page 8

### Ecevit wins

Mr. Bulent Ecevit's Left-of-centre Republican Party is expected to be about 12 seats short of its hoped for overall majority in the Turkish National Assembly after Sunday's General Election. Back Page; Profile, Page 4

### Seychelles calm

Mr. Albert Rene, who seized power in the Seychelles from President James Mancham on Sunday, seems set to introduce a regime of austerity. The curfew was lifted until 4 p.m. yesterday and, though key points in Victoria, the capital, were being guarded by riflemen, all was quiet. But 3,000 tourists in the holiday resort are still enduring a ban on liquor. Page 4

### Siege record

The 52 hostages on a train near Assen, with the four teachers held by Moluccan terrorists at a nearby school, yesterday became the longest-held captives in Dutch siege history when their twin ordeal went into its 16th day. Feature, Page 33

### Briefly . . .

Sir John Masterman, Second World War counter-espionage expert and Provost of Worcester College, Oxford, from 1946-61, died, aged 86.

Press Association and ITV Jubilee coverage were hit by disputes over special holiday payments. Page 8

### BUSINESS

### Exporters fear price squeeze

● MORE COMPANIES are worrying about whether their exports will be competitive and profitable in the future, according to the latest Financial Times survey of business opinion. They are concerned that, with North Sea oil boosting the balance of payments, sterling may become over-valued and its exchange rate may not fully reflect differences in national rates of inflation. Back Page and Page 43

● ENGINEERING industry has told Sir Harold Wilson's inquiry into financial institutions that availability of finance is not the industry's main investment problem. Instead, the problem is lack of confidence in the future as a result of Government policies, poor demand and high inflation. Page 7

● SHOE INDUSTRY fears that some jobs will be at risk in the coming months because of competition from imports. Page 7

● JAPAN'S trade surplus this financial year may be well above the official Government forecast. Page 6

● BANK OF CHINA delegation has arrived in London after visiting other West European capitals. The trip has aroused speculation that Peking may plan new financial initiatives, such as foreign borrowings. Page 41.

### Mortgage rate cut expected

● BUILDING SOCIETIES are expected to cut the mortgage rate again on Friday. Back Page

● FINANCE houses are hoping that the Government will consider relaxing the tight controls on instalment credit terms for purchases of cars and other consumer goods. Back Page

● COST of Leyland's new Mini project has risen to more than £270m. The company is determined to go for advanced production techniques in an effort to make the scheme profitable. Page 7. Some shop stewards are opposing a new, central negotiating structure for Leyland and instead want to divide the group into geographical sectors for negotiating purposes. Page 8

● PRICE WAR between supermarkets is expected to intensify to-morrow when Tesco unveils its new pricing policy to replace the issue of trading stamps. Page 7

### U.S. MARKETS

● WALL STREET rose 5.50 to 908.67 after falling 9.16 on Monday.

● NEW YORK Stock Exchange has filed a plan with the Securities and Exchange Commission to begin call options trading, initially in 25 stocks. Page 40

● U.S. TREASURY Bill rates at this week's auction: threes 5.048 (4.993), sixes 5.234 (5.192) per cent.

# Kaunda seeks tougher line on Rhodesia

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

BRITAIN WILL come under pressure at the Commonwealth conference which opens to-day in London to step up the economic war against Rhodesia.

Dr. Kenneth Kaunda, the Zambian President and the leading African statesman attending this summit, told the Financial Times yesterday that he would call on the British Government to stop British oil companies supplying Rhodesia.

He would also call for sanctions to be extended to British-owned banks in the territory. Rhodesia's telecommunications links with the outside world should also be cut.

Dr. Kaunda said the threat to peace caused by the situation in Southern Africa must "give it the edge" over the other major agenda item—the so-called north-south dialogue on bridging the gap between the world's rich and poor nations.

President Kaunda, who is expected to lead the debate from the African side, said western countries had to decide whether they were as serious as they maintained about bringing an end to the illegal regime in Rhodesia.

President Kaunda said western countries knew why guerilla war was now raging in Southern Africa and they knew what could be done to stop it. But they seemed to "lack the courage and determination" to take those decisions.

If Britain "stopped BP and Shell supplying oil and if the United States did the same with Mobil and France with Caltex we could kill the rebellion to-morrow," Dr. Kaunda said.

He would bring these subjects up at the Commonwealth meeting "because Rhodesia is part of the Commonwealth and we have to show precisely what we are talking about," he said.

Dr. Kaunda said that he would welcome suggestions that the Commonwealth secretariat be mandated to examine ways of providing aid and other assistance to Rhodesia once it became independent.

But Commonwealth "pre-independence aid" would only be welcome if it "provided for realistic sanctions or for military force—and nothing else."

Though President Kaunda was not optimistic about the chances of the latest British-led

Editorial Comment and Men and Matters, Page 14. Seychelles coup and Rhodesia hints it may cut power supply to Zambia. Page 4

settlement attempt, he was highly cautious about suggestions, likely to be discussed at the conference — that a Commonwealth force could be used to maintain law and order in Rhodesia during the transition to independence.

However, Dr. Kaunda said he did not think either Rhodesia's recent invasion of Mozambique or the mortaring of Kariba—which he ascribed to the Patriotic Front—would make any difference to the chances of settlement.

He believed Rhodesia's principal aim at this stage was to try to internationalise the conflict. If Mozambique also engaged in "this hopeless principle of hot pursuit," the Rhodesians would be defeated, Dr. Kaunda said. South Africa will come to their aid.

On Uganda, President Kaunda was particularly forthright. Zambia's stand was well known; violations of human rights should be condemned wherever they occurred, he said.

Gen. Amin and his Government had "no right to be in the Commonwealth conference." The best thing would be to expel Amin and his Government from the Commonwealth altogether. Uganda, however, should not be penalised: when Amin "is ousted or resigns" a rehabilitated Uganda could rejoin the Commonwealth.

*Margaret van Hattem writes:* Mr. Morarji Desai, the Indian Prime Minister, struck a much blander attitude, telling a Press conference yesterday: "If oppression exists there, it is for the people of Uganda to fight. I don't like oppression anywhere but it is not for another country to interfere."

Should President Amin attend the conference? "I will certainly meet him. I don't shun anyone," he added, but resolutely refused to be drawn into commenting whether he felt the Ugandan leader ought to attend.

Mr. Desai refused to be drawn on most of the issues raised and, with much verbal fencing and even more enjoyment, side-stepped almost every question.

"Yes," he supported majority rule in Southern Africa — he was very keen on majority rule everywhere for that matter. But it was up to Southern Africans to achieve it, as he felt sure they would one day.

He had just come from a long meeting with the U.K. Prime Minister, Mr. Callaghan. But his only comment on this was: "If I reveal details about all my talks, I will not have any more talks with anyone."

Most of the meeting was devoted to India's domestic politics, on which Mr. Desai was equally coy, pleading ignorance due to his periodic detention. He took an uncompromising stand against sin but opposed little of a controversial nature.

# Commonwealth leaders search for new world economic order

BY MARTIN DICKSON

ALTHOUGH Southern Africa seems certain to be the most urgent political issue at the Commonwealth Conference, the Heads of Government who gather in the music room at Lancaster House this morning are also expected to focus on the search for a new world economic order and East-West detente.

The meeting will begin with a speech of welcome from Mr. James Callaghan to the 33 other delegations, at least 26 of them led by Heads of Government, and replies from Mr. Morarji Desai, the Indian Prime Minister, Dr. Kenneth Kaunda, the President of Zambia, and Mr. Michael Somare, the Prime Minister of Papua New Guinea.

A provisional agenda agreement decided on yesterday foresees the discussions turning to southern Africa on Friday afternoon, before the conference adjourns to Gleneagles in Scotland for the week-end.

One of the first tasks facing the conference to-day is likely to be the delicate question of who should represent the Seychelles, whose President, Mr. James Mancham, was ousted in a coup over the week-end after his arrival in London.

The new Seychelles Government said yesterday that it wished to be represented by Mr. Georges Rassool, its High Commissioner to Britain, but Mr. Mancham said he still planned to attend the meeting. He said it would be interesting for the world to know "whether the Commonwealth places more stock in elections and human rights than in bullets."

The conference's detailed discussions are likely to begin with a general review of world politics this afternoon, focussing on East-West detente and the

Continued on Back Page



# Saudis likely to raise oil price by 5% says Mid-East report

BY RICHARD JOHNS

SAUDI ARABIA is expected to raise its oil price by 5 per cent from July 1 as a result of the lack of "any significant results" from the North-South dialogue, which ended in Paris last week, according to the well-informed Middle East Economic Survey.

"Whatever the longer-term ramifications of the conference, one immediate result will be a rapid reunification of the OPEC price structure," says the Nicosia-based oil journal. Moreover, as part of a reapproachment with other members, Saudi Arabia also intends to re-impose a production ceiling of 8.5m. barrels a day, plus output required to fulfil contracts entered into since the beginning of 1977, it adds.

While it has become increasingly clear that the Kingdom has wanted a compromise regardless of the outcome of the "dialogue," there is no reason to doubt the substance of the report based on soundings at the Conference on International Economic Co-operation at which Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, was present.

In Washington, Mr. Jody Powell, President Carter's Press secretary, said that he was "somewhat reluctant" to comment until Saudi Arabia made a formal statement. According to the journal, talks between President Carter and Crown Prince Fahd in Washington last month did not cover oil prices.

For some months now, it has been apparent that Saudi Arabia would be prepared to settle for unified price 8 per cent above the 1976 level as a compromise between the 10 per cent rise decided upon by the majority last December and the 5 per cent increase at which the Kingdom itself stuck with the backing of the United Arab Emirates and the support of Indonesia.

It is believed that Saudi Arabia had already decided to meet other members of OPEC half way and may only use the North-South dialogue, which left the 19 developing countries represented dissatisfied on many questions as the excuse for a new price alignment. The majority have already agreed among themselves to waive the additional 5 per cent increase which they planned to put into effect in the second half of 1977 although no announcement has yet been made to this effect.

The clearest indication of Saudi concern about ending the OPEC

Continued on Back Page

$ in New York

| | June 7 | Previous |
|---|---|---|
| Spot | $1.7165-7180 | $1.7175-7177 |
| 1 month | 0.78-0.73 dis | 0.68-0.61 dis |
| 3 months | 1.82-1.87 dis | 2.10-2.05 dis |
| 12 months | 6.60-6.45 dis | 7.00-6.85 dis |

LOMBARD

# No danger for mortgagors

BY JOE ROGALY

THE GOVERNMENT'S forthcoming Green Paper on housing policy may be worth waiting for; the advance signals are that it is not nearly such a depressing piece of work as it might have been had it been published in one of its countless draft forms of, say, six months ago, or a year ago, or two years ago or at practically any time since the late Mr. Anthony Crosland announced, shortly after Labour returned to power in March 1974, that he was instituting a review of housing policy.

There are two principal reasons for this optimism. The first is that so much work has been done, by so many people, during the protracted years of this review that it has apparently been possible to weed out much of the nonsense. The second, and more important, ground for hope is that this is a lame-duck Government facing an election that may not take place at a time of its own choosing. There is all the world of difference between the thoughts on housing likely to be put out by such a Government, chastened by the most humiliating of financial experiences, and a freshly-Socialist Government, slightly surprised to be back, under the leadership of Mr. Harold Wilson.

## Awkward

Thus the most awkward of the arguments on housing policy seem to have been settled in favour of those who, like Mr. Callaghan, think in broad middle-class terms. Until quite recently the Department of the Environment belief that you could not increase council house rents without compensating for so doing by reducing mortgage interest tax relief prevailed; the draft circulating last week, which has been approved by Ministers, omits any recommendation that such tax relief should be tampered with in any way.

What the review does do is provide information that will no doubt serve as the primary reference source for those who wish to pursue the endless argument about whether subsidised rents are equivalent to mortgage interest tax relief. It also provides a great deal of further information, collected and bound together, that will serve as a tidy source-book for housing studies.

This is the least that might be expected from a paper that is the result of so much effort. Scores of officials worked on it under Mr. Crosland, and when he left to become Foreign Secretary it was "near to completion." Then Mr. Shore took over at Environment, and complained that the review was too weighted towards housing finance; it should be broadened to include other aspects of housing policy. The officials started again. Mr. Shore kept a close watch on just about every paragraph they produced. The Central Policy Review Staff put in a paper; the Downing Street Policy Unit made a contribution. So did the Treasury and then almost everyone else.

Meanwhile the original team changed. The Deputy Secretary in charge moved to the new department of Transport; an Under Secretary was moved up. The former Private Secretary to Mr. Crosland stayed with it. The late Minister's political adviser, who had gone with him to the Foreign Office, went on to Downing Street from where he has returned to his housing interest. Not many chairs were covered by the same seat-of-pants for long.

## Effort

All this effort may have produced a remarkably happy result; not having seen the final draft I cannot be certain. But it does appear that the arguments in favour of a total-structure approach to housing, which could only be justified if most people in this country were dissatisfied with their housing or ill-housed, have taken second place to the more sensible arguments in favour of seeking out the marginal few who *are* in genuine need, and housing them.

If so, Mr. Peter Shore will have produced a worthwhile monument to his period of office at the Department of the Environment. The worst mistakes in housing have been the result of efforts by those who seek to serve the abstract "general good" by means of intellectually satisfying overall theories; what is needed is a series of down-to-earth particular policies for particular people in particular local areas.

This, at any rate, is a fair hope. The Whitehall expectation is that the paper will be published in the last week of this month. It has been promised for so long that few will believe this, but then if Mr. Shore does not deliver now he will look exceedingly foolish. I suspect that he knows as much, and that he will try as diligently as any Minister does when his own reputation is at stake to meet the end-June deadline.

FILM AND VIDEO

BY JOHN CHITTOCK

# Putting the message across

IN THE age of sophisticated communication, here is a message for all management: A man cannot participate in that which he does not understand; he can only interfere. The quote comes from a new film simply entitled *Participation*, made jointly by Training Films International and World Wide Pictures. It reflects well my last fortnight of viewing, hopefully enriching my soul with a better understanding of human difficulty—and learning how to protect the organism which envelops it. Increasingly the films of to-day reflect what an insecure world we are living in, and how survival motivates every thought and action.

*Participation* is a very simple and inexpensive film, made in fact in a video studio and subsequently transferred to film (with excellent technical results). Sensibly, its producers have recognised this self-imposed limitation—mainly an economic consideration — and have come up with a dialogue between a "management" spokesman and a "trades union" representative (in reality actors). Within this simple framework, admirably aided by Brian Widlake as anchor man, the facets of the subject are explored — with surprising objectivity, even when Bullock is mentioned, which is often.

In consequence, many of the issues surrounding industrial democracy are aired—but for once without any sense of emotional commitment or axe-grinding. It is refreshing to hear all sides of the story in a framework that inspires credibility. Ironically, it is liable to leave the viewer rather undecided at the end—so conditioned are we all to having our opinions shaped for us by the media.

The film is designed to fall into three parts: direct participation, indirect participation, and factors for success. This is to encourage discussion at the end of each section when the film can be stopped. I cannot admit to feeling happy about this simplistic way of examining a very complex subject; it seems a misuse of moving pictures, although it would look more in place viewed as a videocassette on a television screen. Yet it will work well in the way intended, namely to stimulate discussion—helped by a well-organised set of course leader notes which accompany the film.

Only the day before I went to see *Participation*, I had at last caught up with a screening of *The Militant Moderate*, a documentary profile of John Boyd, general secretary of the AUEW. The title assumes special significance when it is revealed that this film was made by the Churches Television Centre. Mr. Boyd is an active band member of the Salvation Army—blowing the trumpet for God between flying the flag for the trade union movement. The parallels of caring should have yielded a stimulating film with perhaps an insight into why or how one case hardened trades union leader had found communion with Christ. I could be a receptive inquiring and even willing disciple—but I have still yet to see a religious film that showed me the light in a blinding flash and made me want to stand up in the cinema and be saved.

Approaching success, however, are five 4½-minute TV commercials the Centre has also made under the series title *Screen Test*. These are cartoon films, directed by Britain's archetypal animator, Bob Godfrey. In the inimitable style of the cartoon film-maker, they are each visual metaphors on life and our failure to make spiritual value judgements. With luck, they might be seen on U.K. television screens; they are being offered free of charge as "fillers," much in the same way as the Central Office of Information public service films.

If politicians, the Church and sociologists have made little progress in improving our attitudes, at least the scientists continue to make good headway in looking after our bodies. *Safe and Sound* is an absorbing account of developments in pre-natal diagnosis. The film, made for the Fund in Action Research, is largely about the use of ultrasonic sound as a new medical tool that somewhat replaces the X-ray.

By probing the pregnant mother with harmless ultrasonic waves, the echoes can be made to produce a picture on a cathode ray tube — similar in appearance to an X-ray, but without the attendant risk of dangerous radiation. Related to the scientific story of this interesting development is the even more important human angle — and for all its scientific flavour, the film captures well in interviews the social benefits of the invention.

This is the kind of documentary we have seen so well done on television, and it comes straight from that excellent genre. Its intentions are a little imprecise and at the end of it all, one can only say "isn't science wonderful," although presumably Action Research will use this as an effective lever for opening up further sources of finance for its work.

There is, however, a very clear and precise intention behind another life-saving film previewed a week later in the same cinema as *Safe and Sound*. Despite its cryptic title—*Hazchem*—this is about a situation with which all motorists should be familiar: the hazards of chemical loads when their transport vehicles are involved in accidents.

More specifically, *Hazchem* is about the new U.K. Hazard Information Label system which is soon to be carried on all tankers. The label design looks complicated with its boxes, code letters and numerals, but is in fact a very ingenious way of telling the emergency services—instantly and accurately—what precautions to take if the load is in an accident. The choices of action to be taken are numerous—depending on whether a load is explosive, inflammable, corrosive, or poisonous.

Despite this didactic purpose, *Hazchem* is an exceptionally good use of the medium of film—telling its story in a compelling way, presenting the information cogently and comprehensively, and above all highlighting very dramatically the penalties at stake. It is a great credit to BP Chemicals, who sponsored this film, that this important subject has been so ably presented on film—and that it will be made available by BP to anyone who wishes to use it, including the company's competitors.

*Hazchem* was a relatively expensive film to make, involving quite specialised optical effects—bringing to life on the screen, as insets, the hazards that the code letters on the label represent. It serves as a reminder of the dynamic potential of film in conveying even the most ordinary information—but only at a price. The trend to-day is away from the expensive film, and in consequence the chances for real cinematic insight are becoming rare; paradoxically at a time when the world needs as much insight and understanding as it can muster if it is to survive. There, perhaps, hangs the moral behind all of these films: life is cheap, survival is expensive, enlightenment is precious.

GARDENS TO-DAY

BY ROBIN LANE FO

# Fine time for bedding ou

IT IS MOST CONVENIENT that the Jubilee holiday coincides with the best week-end for gardeners' bedding out. Perhaps Londoners have already risked these boxes of petunias and tobacco plants and maybe you think that the old advice, delay until after the Derby, is now out-of-date. I have a horror of late frosts and would not put one past our weather in its new mood. So this week-end will be my time for changing the bedding-plants. Boxes of antirrhinums, petunia, lobelia are a sensible buy. But one can no longer consider them to be cheap.

Have I any ideas, asks a new garden-owner, how best he can fill his new garden without spending more than his next five rounds of wage-inflation or laying up trouble and labour for his week-ends? He feels that too much is written on the economies of vegetable gardening, while the poor flower-gardener, squashed by VAT and parcel postage, is suffering badly. Up to a point, I agree. But he must be cunning, and patient, before I can feel sorry for him.

The surest way of gardening cheaply is to be patient. If you want to block out weeds by planting rampant garden plants, I would suggest that you ignore the mass offers in most nursery catalogues unless cost is no obstacle. I think they are best left to councils and public spenders who usually wish to pack a new site with "ground cover" in the hope that they can be spared the cost of maintenance. Three or four plants of a good cover will give you hundreds after two or three years: at 40p a plant, you will not find a better investment.

If I were just taking on a new garden, I would at once buy three plants of the following: the green-flowered ladies' mantle (*Alchemilla Mollis*), the mauve-blue bell flower (*Campanula Portenschlagiana*), the purple-blue *Campanula Glomerata*, any herbaceous potentilla, the pale pink cranesbill called *Geranium Macrorrhizum* and the blue grandiflorum and Johnson's Blue. I would buy one plant of catmint and one pink *Thymus Serpyllum* which I would choose in flower in order to be sure of its colour. I would also find a bright yellow spurge (*Euphorbia Polychroma*) and a tough evergreen one, *E. Robbiae*. If I was sure of the name of a hardy lavender-blue penstemon which I first grew from a cutting taken in a small cottage garden, I would urge it on you too: perhaps it is heterophyllus. I would have to have the old double daisy, *Bellis Perennis*, which like to be kept wet and well-fed. The prettiest sight in my garden this week are the groups of the white *Viola Cornuta Alba*, a flower with such a season and a plant with such a will to live and multiply. I started a new group with one plant two years ago and already have split it into a dozen.

Every one of these plants, I promise, will spread and grow freely. It is late in the usual planting-season, but they are either on sale as pot-grown plants from alpine plant nurseries or else they can still be found individually in garden-centres. The Jubilee could be worse spent than in hunting them out: planted now, they will have nearly one season's growth behind them by the time you reach the more solid sections of a new garden's plan in late autumn. There are many other possibilities, but I prefer the ones I have named.

Beyond them, I would spend freely on the seed of perennial flowers. The best of Thompson and Morgan, London Road, Ipswich, shortens yearly in this section, but it is still full of value and interest. No prudent gardener buys plants of ...legias or delphiniums or ... unless he is aiming at ... in a show. White delph... come freely from seed; ... aquilegias are never ... their parents' colour, ... predictability does not ... ugly children. It is su... how many good border ... you can raise for you... fifties or hundreds. I would ... happily for a backgro... hollyhocks, the white eve... pea (excellent value), ... nel and delphinium. In ... could have any number of ... panulas, especially the ... germinating lactiflora and ... good telham beauty, ... flower of Jove (*Lichnis Jovis*), all evening pri... blue flax and the woolly ... grey salvia argentea are ... easy, though plants sell ... at 40p a time. From a ... sown now, you can have ... each by the autumn. I ... them all to brighten the ... between experiments, ... and slow shrubs.

I mention these this week, only to take your mind ... ribbons of red, white and ... annual flowers. This is a ... able moment at which to ... these worthwhile seeds, ... the new crop will soon be ... ing along. None is in any ... difficult nor in need of a ... house. Every year, sellers of ... finished plant push their ... up and still stay well in bu... At the same time, ... perennial flower-seeds ... shrinking through lack ... interest.

You see how silly we all ... Patience still allows a gard... to lay out a sound backgrou... his borders for £10, say, and ... thanks of his heirs ... successors. Why do we ever ... for those clumps in black ... thene, except when their var... really is special and quite ... obtainable from seed.

APPOINTMENTS

# Executive changes made in Howard subsidiaries

Following Mr. Peter Colecleugh's recently-announced decision to reduce his executive responsibilities within the HOWARD GROUP, Mr. John Howard, the Group's new chief executive, has announced the following appointments in U.K. subsidiaries: Mr. J. Austin to be appointed chairman of Howard Rotavator Co. and of J. Mann and Son. Mr. Colecleugh will continue as a director of these companies. Mr. Austin remains managing director of Manns. He also, for the time being, takes over as managing director of Howard Rotavator Co. from Mr. G. W. S. Vertannes, who has resigned from the Board of that company.

★

Mr. Basil Becker has become managing director of KENT CHEMICAL COMPANY following the retirement of Mr. J. L. Ridout, a founder of the company. Mr. Becker retains his responsibilities as chairman of Kent Chemical and group director of the Phoenix Group of Companies — of which Kent Chemical is a member. Dr. Colin Burgess has joined Kent Chemical as technical and commercial director. Dr. Burgess was previously with the Swan Pratics division of Swan Mill Paper Company, where he has worked as technical director since 1972 developing non-wovens and disposables.

★

Mr. R. Preston has been appointed a director of JOHN DEWAR & SONS. He joined the company in 1966.

★

The Cape Industries Group company, Trist Draper, has acquired the share capital of W. T. MINETT (SALES). Mr. William Minett will continue as managing director and Mr. Graham J. Minett as sales director. Trist Draper directors Mr. John F. H. Main, Mr. Brian G. Hollister and Mr. Ray Newbigin join the Minett Board. Mr. Newbigin will have overall responsibility for the activities of the company.

★

Mr. N. G. E. Dunlop has resigned from the Board of GOVETT EUROPEAN TRUST. Mr. J. F. G. Emms has been appointed a director.

★

Mr. Duncan Reckie has joined QUEENSWAY as merchandise director. Mr. Reckie, who was with Marks & Spencer for 14 years, latterly as senior executive responsible to the Board for one of the main textile groups, left in 1973 to help set up a new food group. He has also carried out consultancy work in the food and textile industries.

★

Mr. Norman Siddall, deputy chairman of the National Coal Board, has been elected first vice-chairman of the International Organising Committee of the WORLD MINING CONGRESS. The Committee is the controlling policy body of the World Mining Congress.

★

Mr. J. R. Drysdale has been appointed secretary of BAMBERGERS in succession to Mr. N. W. Bayley, who has resigned.

★

Mr. Eric J. Cater, who joined PENTOS as secretary designate in December 1976, has been appointed secretary of the company. Mr. D. K. G. Morgan, previously financial director and secretary, continues as financial director.

★

The Secretary of State for Employment has reconstituted the PAPER AND PAPER PRODUCTS INDUSTRY TRAINING Board for a further three years from May 29. Mr. Albert Powell, general president of SOGAT, has been reappointed chairman. Four other members include one new member, Mr. R. W. Labrum, managing director, Melody Mills.

★

Mr. E. Cooper has been made an additional director of PRECISION ABRASIVES, the wholly owned subsidiary of Wright & Rowland.

★

Mr. Leslie Preston has retired as director of research and development of DINERS CLUB GREAT BRITAIN.

★

THE ADVISORY COMMITTEE ON RENT REBATES AND RENT ALLOWANCES has been reconstituted for another two years from April 1, under the chairmanship of Professor J. B. Cullingworth, official historian, Cabinet Office.

★

Mr. R. Preston has been appointed a director of JOHN DEWAR & SONS. He joined the company in 1966.

## Imports worry door industry

SEVERE REDUNDANCIES could hit the door manufacturing industry if Britain continues at its present rate of imports from Taiwan, Mr. Reg Freeson, Housing Minister has been told. Mr. David Worthy, director of the British Woodworking Federation, is seeking a meeting with the Minister to whom he sent a letter that more than 6 million doors (15 per cent. of U.K. production) are coming from Taiwan every year at a time when the market is depressed.

RACING

BY DOMINIC WIGAN

# Diorina well treated at Newbury

DESPITE THE strong claims of the Newmarket-trained My Therape and the Queen's Rookery, I intend taking a chance with Bill Wightman's lightly weighted Diorina in this afternoon's George Smith Memorial Handicap at Newbury.

Although she only obliged once from eight starts in a busy first season, this tough Mansacle filly ran a number of good races, and she seems far from harshly treated with 7 st 10 lbs here.

Sure to be all the better for a recent run at Salisbury, where she showed up for some way in the Dorset Handicap won by Peace Symbol, Diorina can take advantage of the 16 lbs she receives from the Michael Stoute-trained My Therape.

Half an hour after the George Smith Memorial Handicap an interesting race is in prospect for the three-year-old event, the Berks Stakes, in which recent winners, Frimley Park and Gurrey, are opposed by Jeremy Tree's well thought-of Beckhampton newcomer, Home Run.

Although the chestnut Homeric colt, Home Run, seeming likely to give a good account of himself, I believe it may pay backers to bank on the experience of Miss Tweedie's half brother, Gurry, an impressive winner at Windsor last time out.

In the other juvenile event, the five furlongs Ilsley Stakes for maiden fillies, my best news concerns Gym Slip, a bay filly by Mummy's Pet out of the three Braves two-year-old winner, Streak of Honour, and another bay, Shades of Glory, a Queen's Hussar filly.

In a race in which the betting market is likely to provide the most reliable guide, the Seven Barrows representative, Gym Slip, is given a tentative vote.

There can be few more improved juveniles in training than the compact Laser Light filly, Ackabarrow (the winner of her last three races). It will be interesting to see if Michael Kettle's mount can continue her run in this evening's valuable Hillary Needler Trophy at Beverley.

Although she may well do so judged on her recent three lengths, Hamilton success over Current Belle, my own preference is for the lightly raced Montelimar, a 2½-lengths winner from the useful Beldale Lark at Haydock's Skelmersdale Stakes 10 days ago.

NEWBURY
2.15—Gym Slip**
3.15—Diorina*
3.45—Gurry
4.15—Gartree Hill

BEVERLEY
7.10—Lady Lambourn
7.35—Montelimar***
8.05—Nana's Queen

# British buy more lager

BY ROY HODSON

CHANGES in British beer-drinking habits last year were marked by a growing preference for lager according to Brewers' Society figures published to-day.

In 1976 lager's share of the British beer market was 23.7 per cent. compared with 19.9 per cent. the previous year and only 9.9 per cent. in 1971.

Total beer consumption in Britain last year was 40.7m. bulk barrels—equal to 32m. pints a day.

The Society estimates that lager's share of the market this year is likely to be over 25 per cent. It is gaining at the expense of most other beer types except ordinary bitter which is maintaining a virtually constant market share at just under one-third of all sales.

Draught beer continues to dominate the British beer market. Last year sales of draught represented 77 per cent. of the market which was an increase of 1.2 per cent. upon 1975.

The society reports on the "continuing ascendancy of the British pub." Public houses accounted for well over 70 per cent. of all beer sales last year whereas overseas draught beer sales are as low as 20 per cent. of the market.

The society forecast for the beer market this year that sales will be virtually at the same level as last year. A growth in demand of some 2 per cent is expected next year. Take-home beer sales are expected to rise, resulting in a bigger trade in canned beers.

The Brewers' Society Statistical Handbook 1976, published by Brewers' Publications, 42, Portman Square, London, W.1.

# TV/Radio

† Indicates programme in black and white.

## BBC 1

† Indicates programme in black and white.

6.40-7.55 a.m. Open University (UHF only). 10.55 Cricket: Benson and Hedges Cup—Gloucestershire v. Middlesex. 1.15 p.m. News. 1.30 Teddy Edward. 1.45 Ring-a-Ding. 1.45 Cricket: Benson and Hedges Cup. 3.53 Regional News (except London). 3.55 Play School (as BBC 2 11.00 a.m.). 4.20 Jubilee Jackanory. 4.40 Rentaghost. 5.05 Newsround Weekly. 5.35 Captain Pugwash. 5.40 News. 5.55 Nationwide London and South-East only. 6.15 Nationwide. 6.35 High Adventure: "One Million Years BC," starring Raquel Welch. 8.10 Survivors. 9.00 News. 9.25 Peter O'Toole in "Rogue Male." 11.05 To-night. 11.45 Weather/Regional News.

All Regions as BBC 1 except at the following times:

Wales—5.05-5.35 p.m. Bilidowcar. 5.55 Wales To-day. 6.20 URDD 77. 6.45 Heddiw. 7.10 Pobol y Cwm (second) pennod 22. 7.40-8.10 A Question of Sport. 11.45 News and Weather for Wales.

Scotland—5.55-6.15 p.m. Reporting Scotland. 11.45 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.15 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.15 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

## BBC 2

6.40-7.55 a.m. Open University. 10.35 Nai Zindagi Naya Jeevan. 11.00 Play School. 11.25-11.50 Open University. 12.55 p.m. Commonwealth Conference opening ceremony. 1.55 Tennis and Cricket: Tennis—The John Player Tournament and Cricket—Benson and Hedges Cup: Gloucestershire v. Middlesex. 4.55 Open University. 7.00 News on 2 Headlines. 7.05 The Education Debate. 7.30 Newsday. 8.10 In the Making. 8.30 Family Portrait. 9.00 M*A*S*H. 9.25 Trinity Tales by Alan Plater. 10.15 Arena: Cinema (The Cannes Film Festival). 10.55 Late News on 2. 11.05 Cricket: Benson and Hedges Cup highlights. 11.35-11.40 Music at Night: guitar music by Mozart.

## LONDON

9.30 a.m. The Merrie Melodies Show. 9.45 National Film Board of Canada Presents. 10.45 "Class of 63," starring James Brolin. 12.00 The Adventures of Rupert Bear. 12.10 p.m. Rainbow. 12.30 Three Little Words. 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 Good Afternoon. 2.25 Wednesday Matinee: "Sea Devils," starring Rock Hudson. 3.50 There Goes that Song Again. 4.20 Get It Together. 4.45 A Bunch of Fives. 5.15 The Flintstones. 5.45 News. 6.00 To-day. 6.35 Crossroads. 7.00 Don't Ask Me. 7.30 Coronation Street. 8.00 The Eric Sykes Show. 8.30 Cheap in August from the "Shades of Greene" series. 10.00 News. 10.30 Wednesday Special: The Band of the Year 1977. 11.30 Horses in Our Blood. 12.00 Power Without Glory. 12.55 a.m. Close: Church poems by John Betjeman read by Valentine Dyall.

All IBA Regions as London except at the following times:

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

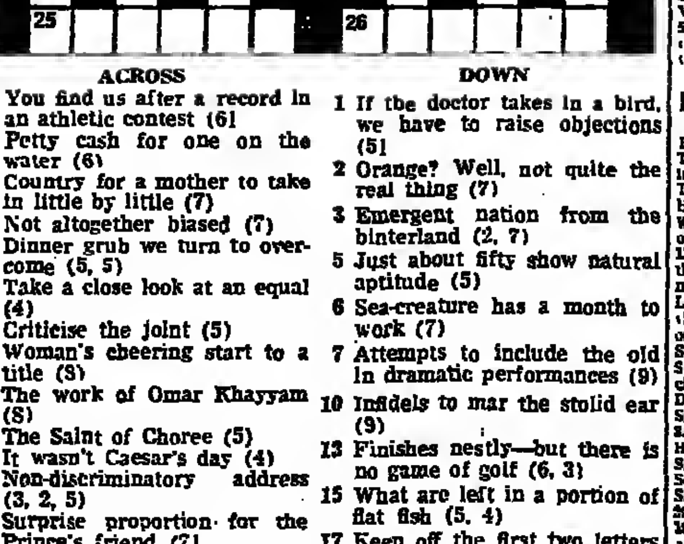
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

## F.T. CROSSWORD PUZZLE No. 3,399



ACROSS

1 You find us after a record in an athletic contest (6)
4 Petty cash for one on the water (8)
9 Country for a mother to take in little by little (7)
10 Not altogether biased (7)
11 Dinner grub we turn to overcome (5, 5)
12 Take a close look at an equal (4)
14 Criticise the joint (5)
16 Woman's cheering start to a title (8)
18 The work of Omar Khayyam (9)
19 The Saint of Chorea (5)
21 It wasn't Caesar's day (4)
22 Non-discriminatory address (3, 2, 5)
23 Surprise proportion for the Prince's friend (7)
24 A chap has the Russian at gun-point (7)
25 The last number has the beer to band (6)
26 "Deep — in books and shallow in himself" (Milton) (8)

DOWN

1 If the doctor takes in a bird, we have to raise objections (5)
2 Orange? Well, not quite the real thing (7)
3 Emergent nation from the hinterland (2, 7)
5 Just about fifty show natural aptitude (5)
6 Sea-creature has a month to work (7)
7 Attempts to include the old in dramatic performances (9)
10 Infidels to mar the stolid ear (9)
13 Finishes neatly—but there is no game of golf (6, 3)
15 What are left in a portion of flat fish (5, 4)
17 Keep off the first two letters on the spot (7)
19 Stevenson's were with a donkey (7)
21 Yet it may be illicit (5)
22 Reform the people in this period (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

evision

# Violating the facts—a reply

by MILTON SHULMAN

doubt if Mr. Chris Dunkley your tobacco correspondent. ...d of your TV critic, he be arguing that the case ...g cigarette smoking with cancer had not been proved ...se some non-smokers get cancer, because all people smoke cigarettes do not get cancer and because lung ...r existed before Sir Walter ...gh brought the noxious ...to Britain.

...s this kind of simplistic ...ment that Mr. Dunkley has ...ed in his defence of the ...ence of violence on British ...this page, June 1). Because has always been a violent ...al, because two world wars started independent of the ...nce of TV, because he can wander in London's streets ...ut being assaulted by TV ...rs, he exonerates the box any responsibility for our ...nt society. Indeed, warming ...theme, Mr. Dunkley insists any claim that violence and ...re linked is nothing more a huge and absurd lie.

...one has ever suggested that alone produces a violent ...ty. Attitudes to violence are ...ed in the human psyche at ...y early age and jostle with environmental factors such ...e family, the neighbourhood ...the school.

...e question that occupies concerned with this prob... ...is not whether TV is an ...ive cause of violent or ...ant behaviour, but whether ...kes a minor or major con...tion to such behaviour. A ...d question is whether only ...rmal, disturbed or delin...t children are more pre...sed to violent behaviour by they see on TV or whether ...al children are also affected.

The fact that a majority of children or most children or even 90 per cent. of children do not become more violence-prone because of TV programmes does not mean such programmes have not made a major contribution to a violent society. Indeed, if 10 per cent. of the population were lawlessly violent, society would be ungovernable.

Although Mr. Dunkley would probably dismiss it as irrelevant, there is not a serious authority who has studied the question who does not agree that TV violence does influence the disturbed or abnormal child. But no one has calculated how many of such children there are. Suppose 15 per cent. of children were classified as mentally subnormal or maladjusted—probably an under-estimate—would TV's influence on them not be something to worry about?

We do not know how much violence a child was exposed to in the Dark or Middle Ages. Mr. Dunkley seems consoled by the fact that mankind survived barbarism and that it is presumptuous of anyone to assume that civilisation can make things better. The argument must surely be confined to the level of violence that existed in a society like ours in peacetime conditions and according to contemporary criteria of law and order.

By such standards we have become a far more violent society since TV began to disseminate a large dosage of violent programmes. The teenage criminal, hooligan and delinquent of to-day in America spent in the 1960s, when he was growing up, between one quarter and one fifth of his waking hours in an atmosphere of fictionalised violence. In Britain, he spent about one-sixth of his waking hours in a similar environment. The vast bulk of this came from TV.

Since 1955 when commercial TV forced the BBC to compete with it in showing violent action-adventure programmes, crimes of violence have escalated from around 7,000 to 77,000. The telly age group has committed most of these crimes. Similar rises in violence have taken place in countries which produce our incidence of violent TV programmes—U.S., Canada—and have not occurred in countries which do not show such a high volume of violent TV—West Germany, Holland, Sweden.

A most disturbing feature of the present social scene is the prevalence of violence among the under-14s in America and Britain. A mere 125 such juvenile crimes were committed in Britain in 1950 and almost 2,000 in 1977. Can the usual causes of crime—poverty, bad education, frustrated expectations—account for 12-year-old criminals?

Now unless one were to deny that TV had any influence at all, common sense would assume that such statistics had some relationship to the immersion of young people in a violent atmosphere for one-sixth of their waking hours. The only argument Mr. Dunkley trots out to rebut the obvious is the claim that some research has shown that TV merely reinforces existing attitudes.

He does not seem to be aware that this research was concerned only with studies of political attitudes during election campaigns and that no one claimed it could apply to children who had no attitudes that could be reinforced before they started looking at the box—probably at the age of three! His other totally unproved assertion is that watching the fighting in Vietnam on TV produced such a revulsion among Americans that it hastened the end of the war.

Such limited evidence that is available on this subject proves exactly the opposite. A Louis Harris poll at the height of the fighting in 1967 showed that 52 per cent. of the people were not opposed to the war because of what they saw on TV as against 31 per cent. who were. When asked did TV make them want to "back the boys" in Vietnam, 73 per cent. said yes and only 11 per cent. said no.

What commonsense dictates, and Mr. Dunkley calls the big lie, has been accepted by two major Presidential Commissions in America, costing millions and lasting years. The link between TV violence and violence among the young has been accepted by almost all psychiatrists and a majority of social scientists.

It has also been conceded by the heads of all the American networks—NBC, CBS and ABC, by the American Medical Association, by the American Association of Advertising Agencies, and by the National Citizens Committee for Broadcasting. In Britain the Annan Committee has accepted the argument. So has Mrs. Shirley Williams and the Home Secretary, Mr. Merlyn Rees.

Have they all been taken in by a big lie or is there something blind about Mr. Dunkley?

...zabeth Hall

# ...London Sinfonietta

by DAVID MURRAY

...art arrived at the Sinfoni... Jubilee concert on Friday ...r like the statue at the feast. ...stern concision of his C ...r Serenade for eight winds ...t to make other music that ...ms too near sound blowzy ...rolix; the Serenade has the ...fic gravity of a rare extra...strial element. Without a ...uctor, the Sinfonietta ...rs gave it unbroken con...ed attention—almost too severe in ...opening Allegro, monu...al instead of muscular, but ...rally transparent. The last ...our variation wasn't a light ...ne, but a sunburst. ...thing else made such ele... demands, though Paul ...rson's new Concerto for 14 ...uments, *Crocodan Counter*...s, which he conducted him... asks for plenty of virtuosity ... its players. Its three ...ble movements are con...uously busy — the hell-for...er finale leaves the orchestra ...e verge of going into orbit ...d the writing is always pro...unally fluent. The focus of ...est swings neatly between exposinlations and shimmer...group textures, though at a ...hearing the intended pro... from compelition to im...ition remained merely ...nal: this time, no tensions stronger than colour-contrasts made themselves felt.

The rest of the concert was *Façade* plus: we had the bonus of eight unpublished numbers which, in the nearly 50 years it took Walton to settle on a final ordering for the collection, fell by the wayside. They are not weaker than the rest, just very similar; if for variety's sake the old performance substituted them for others, one would barely notice. The same musical snooks are cocked, and Dame Edith's usual tricks of diction are duly rehearsed.

Colin Davis led the vividly alert performance, in which the reciters were Richard Baker and Cathy Berberian. There are probably thousands of people who suspect that they could speak *Façade* to perfection, given a chance; Mr. Baker seized his with a fine, fruity assurance in the Sitwell tradition — strict rhythm, succulent consonants, detached amusement. Miss Berberian's is an art rather of vowels and timbres, and she risked more than could always penetrate Walloo's little band. With musicianly flexibility, she strove to contribute another voice to the ensemble, and not merely an incongruous top-layer of words. Interesting, and a qualified success—qualified perhaps because Walton himself was not quite certain himself just what the speaking voice should do in *Façade*. It all went down well.

Entertainment Guide is on Page 43

Festival Hall

# New Philharmonia

by DAVID MURRAY

Under Riccardo Muti, the New Philharmonia gave strong and aristocratic accounts of popular Chaikovsky on Sunday afternoon. The Friar Lawrence music which begins the *Romeo and Juliet* overture was coolly, meditatively shaped, and the formal sense of the rest was held so clearly in view that the name the Overture has for 'wallowing' seemed altogether unjust. It found the orchestra in distinguished form, with a gratifying unanimity and bloom in the strings.

Chaikovsky's Fifth Symphony rarely enjoys so carefully poised a performance. With no loss of excitement, Muti balanced its parts judiciously—an introduction of unhurried gravity and a clean-lined Allegro, a long-breathed Andante without easy tears, a billowing Valse with the right sense of unassuaged trouble, and a fine, declamatory Finale which kept hysteria as far at bay as I have heard it bere. The sheer sound of the score was plangently beautiful.

In Prokofiev's First Piano Concerto Martha Argerich was the soloist. Its brittle, hyper-active manner suited her to perfection. She brought to it an exultant urgency which preserved the ceaseless rush of notes from sounding trivially busy, and the big tunes which are intermittently thrown up always arrived on the crests of plausible waves. (The form of this one-movement piece has a contingent ring, and it tends to get to this or that point by way of random stabs.) Towards the end Miss Argerich's efforts were more visible than audible—over-orchestration, or a certain shallowness of piano tone?—but so furiously convincing that one had no sense of anything missed.

# Four new categories in Imperial Tobacco radio awards

...ocal radio award will be ...ded in the four new categories which have been added in ...year's Imperial Tobacco ...rds for radio. This acknow...es the growing importance ...cal radio and will be given ...e best scripted programme ...al community interest. In ...tion, the best scripted ...ra-documentary, dramatised ...ary, and documentary ...re programmes will now be ...ble for an Imperial Tobacco ...rd, and will join the ten ...ing Awards.

Members of the Radiowriters' Association, or other members of the Society of Authors, members of the broadcasting authorities (BBC and IBA), and radio critics of the national and local Press are invited to make nominations for the awards.

The closing date for entries, which must be submitted on official nomination forms, obtainable from and returnable to the Radiowriters Association, c/o Joan Wilkins, Freelance Services, 37a, Maida Vale, London, W.9, is Monday, July 18.

Festival Hall

# Abbado's Brahms

by MAX LOPPERT

On Sunday evening Claudio Abbado, the London Symphony Orchestra and Chorus, and the soloists Benjamin Luxon and Lucia Popp, gave a performance of the Brahms German Requiem that was hard to fault on the executive level, and hard to praise on other levels. Positive qualities had gathered in it, notably the care shown in obtaining like tonal colours from chorus and orchestra that bore fruit in unusual consistency of blend and control; also, a concern for the dynamic range of the music, and a feeling for the long-lined lyricism of the middle movements.

But the result wore an air of negativity, of Brahms unidiomatic in accent and slack in musculature, of Brahms smoothed and drawn out to excess. It was hard to discover the "message" of the performance—it seemed to spring from no urgent engagement with the character of the music, from no very powerful grasp of its vision. Brahms played without engagement or vision, tends to dullness and the wrong kind of massiveness.

The only note of authenticity sounded in the performance was by Mr. Luxon in the baritone solos: one sat up and listened to the personal tone of his pleadings, their impact at once thoughtful and dramatic. The Requiem was preceded by two Mozart choral works, the magnificent D minor Kyrie, K341, and the *Laudate dominum* from the Vespers, K339. The performances again blended heaviness and slackness, except that the choral singing was less firm of ensemble, and there was some straying from pitch by the soprano.

Coliseum

# Romeo and Juliet

The most striking thing about Rudolf Nureyev's version of *Romeo and Juliet*, given its first performance by London Festival Ballet last week, is the lack of depth to the two main characters. Neither Romeo, which Mr. Nureyev dances in rather blanched fashion, or Juliet, who is taken by Patricia Ruanne with considerable technical brio, seem anything more than convenient pegs upon which a sometimes clever, sometimes wilful production depends. Of what Sergey Radlov, the Russian librettist, called "the growth and development of a personality in the course of the entire spectacle," is little trace.

In place of characterisation, we are given an incessantly busy action which takes place against Ezio Frigerio's scrupulously careful evocations of Renaissance scenes, in costumes no less careful in cut. Visually the staging has felicities: it starts with a stunning *coup de théâtre* in which a death cart bears away the bodies of Capulet and Montague minions who are victims of the feuding that runs like a thread through the entire presentation. There is a kind of fragmented and frenetic energy that informs much of the supporting action: Mercutio (a role excellently taken by Nicholas Johnson) and Benvolio seem never still, and nor do the hordes of acrobats, servants, courtiers, friends and assorted walkers-on who feature largely in Nureyev's picture of Verona.

But this unquiet fevered style—which can pay real dividends in crowd work, or in the brilliantly satiric death scene for Mercutio in which his friends believe that he is playing yet another trick on them—erodes any truth or emotional resonance that the great central fact of the tragedy may be supposed to have.

Not at any moment did I find myself moved by the lovers' plight. Mr Nureyev has, at certain points, dissipated the dramatic energy of the story with vision scenes, allegorical figures, symbolic returns by Mercutio and Tybalt (a good portrait by Frederic Werner) as Juliet contemplates suicide. The directness and force of the MacMillan and Cranko productions come from their increasing concentration upon the hapless couple. In attempting a "different" staging — Mr. Nureyev has had to steer at times a difficult course away from the obvious, right and already created — the choreography looks perverse, or cluttered.

A mixed blessing, then, which will need to be considered again. A first impression is of excessive length — the ballet ran for 3 hours on opening night — and of a need to prune and reshape the action so that Romeo and Juliet do not seem obscured by their surroundings. From Festival Ballet's artists heart-whole and enthusiastic playing.

CLEMENT CRISP

Metropolitan Museum, New York

# Elegant craftsmanship of the ancien régime

by DENYS SUTTON, Editor of Apollo

The appreciation of French 18th century art enjoys a long and distinguished history in the U.S. Thomas Jefferson and Gouverneur Morris were keen on the decorative arts of the *ancien régime* and Houdon made portraits of Washington and other American notables. David was helpful to John Trumbull and American artists, among them John Vanderlyn, were influenced by the French neo-classical style.

Examples of Freoch 18th century furniture, porcelain and silver soon crossed the Atlantic and could be found in the houses of Colonel Swan at Boston, or Gouverneur Morris in the Bronx, and Josepb Bonaparte imported many French paintings, includiog at least two by J. L. David. The influence of French style itself was evident in American furniture, notably that made by Laonuier.

During the Vanderbilt era, a revival of interest in 18th century French art took place, as could be seen from the decoration of certain New York houses and by the time Edith Wharton and Ogden Codmsn junior published their brilliant book on interior decoration in the 1890s, Freoch design was considered the acme of elegance.

When actual French interiors first came to the U.S. is a matter of debale. In any event, in 1906 Mrs. George T. Bliss purchased two enchanting rooms from the Hôtel de Crillon and installed them in the house which she and her husband had recently built at 9 East 68th Street. One of these is now in the Metropolitan Museum, New York.

In the same year the group of French 18th century decorative items acquired by J. P. Morgan from the Paris dealer Georges Hoentschel included a handsome *boiserie* of the 1770's that is now in the Metropolitan Museum.

By the 1910's French art of the *ancien régime* was fashionable in New York and notable works were to be found in the collections of J. W. Simpson, whose wife was a great admirer of Rodin, William Salomon and Judge Gary. In addition, Frick acquired the famous paintings by Fragonard that are the glory of the Frick Collection. Houses were built in the French taste—two excellent examples are Nos. 1 and 11 East 62nd Street—and Codman and Trumbauer did much to fan enthusiasm for the pure design of French classical architecture.

Some indication of the quantity and quality of French works in New York collections was provided by a notable charity exhibition held at the Parke-Bernet Galleries in 1942. The chairman of the committee was Mme. Jacques Balsan, née Consuelo Vanderbilt, who had formerly been married to the Duke of Marlborough. However, a taste for this period was increasingly confined to a handful of connoisseurs, and French 18th century art lost ground in the public eye.

A remarkable revival of interest in this school has taken place in recent years, which has been greatly stimulated by the activities of art historians, who have become fascinated by the rise of neo-classicism and by collectors such as Mr. and Mrs. Charles Wrightsman.

One of the features of the Wrightsman Collection is that each item has been handpicked. It has been brought together with flair so as to illustrate an ideal of fine craftsmanship which is exemplified in the notable pieces that they have given to the Metropolitan Museum.

Mr. and Mrs. Wrightsman's love of the 18th century, and desire to share their pleasure with others, inspired them to create a new installation for the rooms from this period in the museum. For over a year the Wrightsman Galleries have been closed for remodelling and refurbishing; they opened again in May. The result, which is due to a close collaboration between Mr. and Mrs. Wrightsman, Henri Samuel, the Paris designer, Harold A. Eberhard, Jr., his New York associate and James Parker, Curator of the Western European Arts Department, is a sparkling panorama of the decorative arts of the *ancien régime*. In addition, two rooms have been added.

The galleries now contain seven French rooms, a Paris shopfront of about 1775 from the Quai Bourbon on the Ile Saint-Louis, a room from a Viennese palace that is strongly influenced by French style, and three galleries. The galleries contain pieces of French royal furniture, such as a daybed made for Marie-Antoinette, and Louis XV's desk from his study at Versailles and examples of the work of Bernard II Vanrisamburgh and Riesener. The group of Sèvres includes items from the celebrated Rohan service; the silver and snuff boxes are of the highest quality.

The Wrightsman Galleries are a reminder that any attempt to understand the character of art in France during the 18th century is impossible without a recognition of the special nature of interior decoration: the relationship between a room and its paintings still demands study. What is clear from the wood panels in the rooms at the Metropolitan Museum is that their design and execution, not so much complements as rivals painting.

The vitality of French design is astonishing as may be seen from in the room from the Hôtel de Varangeville with its delicately carved gold and white panels which were almost certainly the work of Nicolas Pineau and which with their fantastic birds on scrolls derive from the tradition of Audran. The introduction of musical trophies in the neo-classical salon from the Hôtel de Cabris (from Grasse) present a parallel with their use of such attributes in the paintings of Chardin and other painters of the period.

The panels in one of the new rooms, which date from about 1770, make a valuable contribution to knowledge of the period. Nothing is known of their early history, prior to their being placed in the library of the Hôtel Lauzun which then belonged to the celebrated bibliophile Baron Jérôme Pichon. They have been repainted with the sort of colours—light and cheerful—with which they would have been decorated in the 18th century and for which analogies may be found in the watercolours of Pierre Ranson.

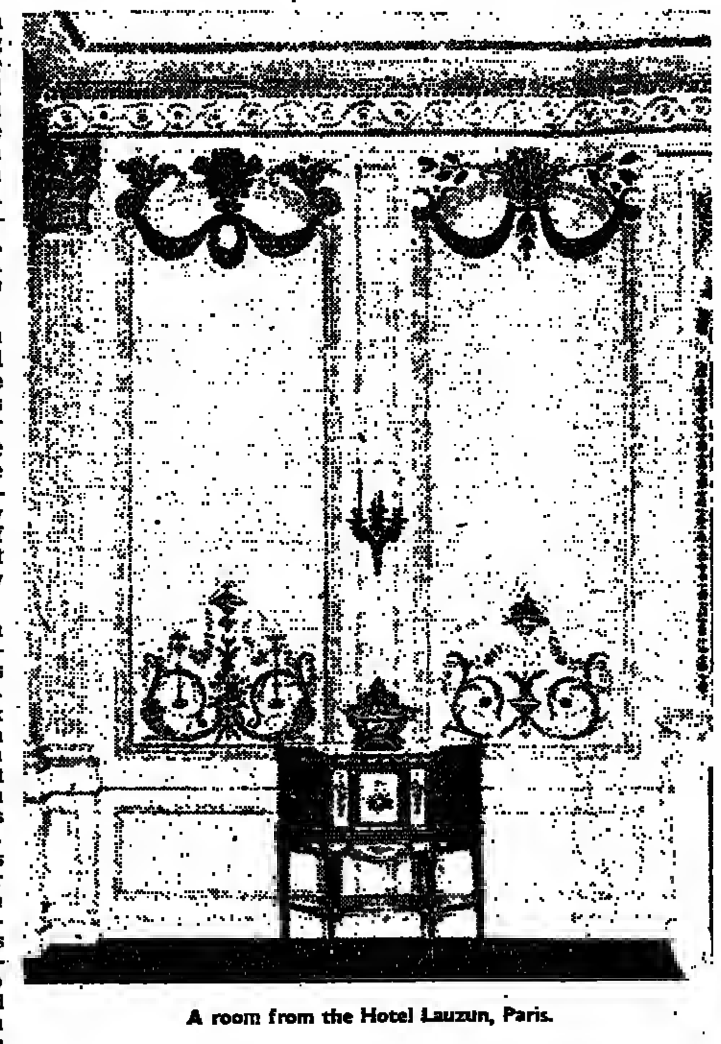
The charming colours of this room and of the furniture inlaid with Sèvres porcelain (from the Samuel H. Kress Foundation and the Wrightsman Collection) which are displayed in it suggest that the view, long held by historians, that the essence of French art has lain in its practitioners' apprehension of form rather than in a feeling for colour, requires qualification. The colours of the decorations and the furniture emphasise the extent to which those used by Renoir were in a direct Parisian tradition. In this connection, it may be recalled that Cézanne admired French 18th century art.

The rooms may remind the visitor of the extent to which the designers of Art Nouveau, in France at any rate, owed much to French 18th century decoration, not that the quality of the work produced by the cabinet-makers of the earlier period was matched by that of their successors. The craftsman of both periods were interested by Oriental motifs.

One of the principal achievements of the galleries is to bring out the elegance and purity of design that characterised French 18th century design. It is as well to be reminded of its virtues, for the idea often prevails that French furniture is too ornate. This view may have been due to the reproduction furniture which was then so abundant and to the clutter often found in the drawing-rooms of the Victorian era.

The Wrightsman Galleries have been further enriched by their munificent gift of J. L. David's famous portrait of Antoine-Laurent Lavoisier and his wife, of 1788 which, although monumental in size, is distinguished by a remarkable lightness in mood. The portrait possesses an intimacy and naturalness that are not often found in French 18th century portraiture and which are more usually associated with English painting: Hogarth's portrait of Garrick and his wife comes to mind.

David's treatment of the scientific instruments in the portrait is remarkable and recalls that encountered in the still life pictures of Stosskopf, the painting of the hands and Mme Lavoisier's dress has an elegance by no means always found in his work. It is fitting that this masterpiece of the Enlightenment should hang in the Metropolitan Museum: its presence there may be felt to symbolise the long and fruitful relationship between the arts of France and the U.S.



A room from the Hotel Lauzun, Paris.

# OVERSEAS NEWS

## NATO in talks on N-forces

OTTAWA, June 7.

NATO DEFENCE ministers meet to-morrow in secret session to discuss moves to strengthen their armoury of nuclear weapons. The organisation believes it must increase its nuclear strength because the Soviet Union is deploying a wide range of new missiles.

At the centre of the discussion will be the U.S. Cruise missile and whether U.S. tactical nuclear forces in Western Europe should be armed with much more lethal warheads.

Reuter

David Bell writes from Washington: The U.S. Administration has not decided whether to go ahead with production of the so-called Neutron Bomb, a weapon that emits heavy radiation to kill the enemy but which has very much less explosive power than a conventional nuclear weapon.

Neutron warheads have been under development at least since 1960, but it was not until last year that the Ford Administration authorised the Energy Research and Development Administration (successor to the Atomic Energy Commission) to start building neutron warheads for the new Lance tactical missile.

Further funds for the warhead are contained in a $10.2bn. public works Bill before Congress, but Administration officials said to-day that the fact that the money is there should not be taken to mean that the Carter Administration will necessarily continue the Ford policy.

### Bhutto ends martial law, frees detainees

Mr. Zulfikar Ali Bhutto, the Pakistan Prime Minister, announced yesterday that martial law in Lahore, Karachi and Hyderabad—imposed in April after disturbances across the nation—was being lifted immediately writes our Islamabad Correspondent. After his three formal rounds of talks with the Opposition, reliable reports indicated that he has also agreed to hold fresh elections to the National Assembly, to resolve the country's three-month old political crisis, sparked by the Opposition's campaign alleging massive rigging in the March general elections.

Meanwhile the Government has during the past three days, released about 15,000 people detained, during the Opposition's campaign, for violating the ban on demonstrations.

### W. German output down—provisionally

West Germany published industrial production figures yesterday that showed a provisional 1 per cent. decline between March and April, and new order figures for manufacturing industry which revealed a 1.5 per cent. drop over the same period, writes Adrian Dicks from Bonn. The Economics Ministry, commenting on the two indicators, once again urged caution because of continuing problems with the new basis of calculation introduced at the beginning of the year. It pointed out that the February/March change in order figures, originally reported to show a 1.5 per cent. gain, had now been revised sharply upwards to a 5.5 per cent. increase.

Similarly, the preliminary February/March change in industrial production had shown a 1 per cent. decline, yet it had now been revised to reveal a 2 per cent. rise. On a comparison of March/April with January/February, new orders were up by 4.5 per cent., with foreign orders up by no less than 10.5 per cent., while industrial production showed a 0.5 per cent. rise.

The authorities, however, are continuing to insist that all figures for the first four months should continue to be regarded as provisional, pending further refinement of the statistical base.

### Spain trying to stop violence

A top-level security plan is being put into effect to try and halt violence aimed at disrupting the Spanish general elections on June 15, reports Roger Matthews from Madrid. A series of meetings between King Juan Carlos, Prime Minister Adolfo Suarez and senior military and police officers have been held during the past two days following the outburst of week-end violence during which two Civil Guards were murdered and extensive damage was caused by more than 25 bomb attacks.

### French shooting

Workers of the main Left-wing unions stopped work yesterday for five minutes to mark symbolically the week-end fatal shooting of a striker on a picket line outside a Rheims glass factory, writes David Curry from Paris.

The picket line was attacked by five men from the tiny Right-wing and officially unrecognised union, CFT, who work in the local plant of Citroen where the CFT (which has condemned the shooting) is dominant. The union, which has been involved in anti-strike activities before and which is regarded by other unions as a strong arm blackleg organisation, is powerful in the motor industry, particularly at Citroen and Chrysler. The five men have been arrested and charged with attempted murder.

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## A frustrating task ahead for Turkey's Ecevit

BY DOMINICK J. COYLE

ANKARA, June 7.

WHILE IT may take up to 48 hours for final results to come through, it is now apparent that Mr. Bulent Ecevit, the 52-year-old poet-politician who heads Turkey's Republican People's Party, will get first crack at forming a new government when the parliament is sworn in following an inconclusive general election.

It has been inconclusive in the sense that both Turkey's pressing needs, in domestic economic and foreign policy areas alike, and the ambitions of Mr. Ecevit personally, have combined to demand a one-party government in a country which, administratively at least, has been adrift for the past three years. In fact, since Mr. Ecevit's own short-lived coalition authorised the military invasion of northern Cyprus in 1974, Turkey has been lacking law and has had little effective administrative order.

The invasion alone made Mr. Ecevit a "man of the people." It gave the RPP leader a kind of national adoration not seen here since the heady heydays of Adnan Menderes, the wily Democratic party leader, in the 1950s. Indeed, it resembled the worship heaped on the "father of modern Turkey," Mustafa Kemal Ataturk.

Mr. Menderes was finally killed off — literally hanged — by the military, while the fame of Mr. Ataturk was to grow more brilliant by his passing than during his life. For Mr. Ecevit, it has come in his own lifetime: the resolution of a man who can deliver a Turkey free from the sort of almost daily violence seen on the streets and in the universities for the past two years, a land free of chronic unemployment, with a balanced budget, an end to inflation and with a respected and internationally recognised place in the modern world, although perhaps under Mr. Ecevit just a little less aligned to the West.

Mr. Ecevit has done remarkably well, but he has failed to secure an overall majority in the new National Assembly. Depressingly, it seems that yet again Turkey must resort to another coalition. Mr. Ecevit himself tried one back in 1974 with the mainly religious fanatics of the National Salvation Party of Mr. Necmettin Erbakan, and it did not work; the present Prime Minister, Mr. Suleyman Demirel, next made an attempt, not just with the fanatical salvationists, but also with the neo-fascists led by former colonel Alpaslan Turkes. That "unholy alliance" also failed, dictating not just a premature general election, but bringing the Turkish economy close to the present point where a major devaluation of the Turkish lira is just about certain and foreign exchange reserves with the central bank have practically run out.

For Mr. Ecevit and his few close advisers, tackling Turkey's pressing problems, including the bitter dispute with Greece over Cyprus and the Aegean would have been an enormous task, even given a strong one-party government. But this is now not to be, and the prospects are for a minority administration or just perhaps a paper majority patched together with some independents, and maybe even a few "turncoats" who may decide to cross the floor.

After winning control of the party machine in 1972 the partly Harvard-trained Mr. Ecevit sent the RPP on a somewhat Left-of-Centre course, promising a generally Social Democrat-type Government and the realisation of Ataturk policies which are still to-day proclaimed on the RPP flag, including Republicanism, nationalism, secularism and reformism.

To realise his objectives, he is equipped with determination and great personal courage. He is also an emotional man, often given to a sudden decisiveness on issues, such as over the Cyprus invasion.

But he and his immediate followers lack real experience of government, if not the spirit of reform and the determination to bring it about. The next few weeks and months may well show that urgently needed reforms, whether in the economic or social spheres, require more than simple commitment.

## Socialism and lime juice for post coup Seychelles

By John Worrall

VICTORIA, Seychelles, June 7.

AFTER two days of round the clock curfew Seychelles are settling quietly in life under the centre regime of Mr. Albert Rene.

People were allowed out to shop to-day. Some businesses were open. Cars moved along the streets of this charming little capital. But the curfew was on again at four o'clock to-day and the liquor ban is still in force.

Young activists from an anonymous group which staged the coup in the small hours of Sunday, ousting Mr. James Mancham, still guard the key points armed with automatic rifles.

But the easygoing Seychellois may never be quite the same again. Mr. Rene, the new President, shows signs of introducing an austerity the like of which the Seychellois have never known. It may be goodbye to the laissez faire of the Mancham regime.

To-day Mr. Rene warned people against personal ostentation and the molestation of women. He also told the Seychellois that if jobs were found for them they would have to work hard.

The first priorities of the Rene government are low-cost housing for the homeless and work for the workless. Both are formidable tasks. The first requires land — much held by private people and absentee landlords — the second requires employment opportunities, which the slow moving economy (mainly based on tourism and agriculture) does not offer.

The current development plan envisages 75,000 tourists a year by 1980. This year they expect 51,000 visitors, many from Britain. Tourism is a goldmine which, everybody admits, was dug deep by Mancham, the super salesman.

The most astonished group on the island to-day are the tourists. About 3,000 are here. The 36 hour curfew keeps them imprisoned in their luxury hotels without even a drink to console them. Consumption of the island's lime juice has soared steeply.

The coup was also a complete surprise to the British Government. The coalition government between Mancham and Rene came into force with the blessing of Britain which is deeply involved in the Seychelles. A soft loan of £10m. for development has just been agreed. There are some 120 British technical aid personnel here.

Britain was obviously disappointed at the expulsion of British officials working for the Seychelles government and their families. Seven officials including the Chief Justice and senior police officers were given 24 hours notice to leave and were escorted to the airport.

British High Commission officials protested but Mr. Rene insisted. The High Commissioner said that President Rene had assured him they wanted to maintain the present good relations with Britain and he hoped the technical personnel would continue to serve the Seychelles.

As far as British recognition of Mr. Rene's government is concerned, it is being given "urgent attention."

The Rene Government has, it is believed, complete control of the police, the only force on the islands apart from the young activists who planned and carried out the coup. The Mancham Democratic Party fell into decay after the preindependence coalition with Mr. Rene's United Party. The UP remained strong and active with a militant left wing which carried out the coup.

The general feeling throughout the islands appears to be cautious welcome for the Rene Government. There had been a growing dislike for the playboy life-style of Mr. Mancham. One typical remark by a Seychellois was "Mancham spends his life away from the islands meeting the rich, never at home meeting and helping the poor." They hope the Rene regime will be better.

Men and Matters Page 14

## Wider role for party in Soviet constitution

BY DAVID SATTER

MOSCOW, June 7.

WHAT EFFECT the new Soviet constitution will have on the lives of Soviet citizens is still unclear. But it is a historic document which crystallises the Soviet leadership's view that a new Soviet State emerged after Stalin's death.

The draft constitution, which has received the approval of the Communist Party Central Committee, redefines the role of the Communist Party, calling it the leading force in all aspects of social and political life.

This is a significantly broader statement of the Party's role than was contained in the 1936 Stalin constitution and an implicit reminder of the leadership's view that Stalin ruled lawlessly and without the Party during the period referred to here as that of the cult of personality.

The need for a new constitution was attributed by Soviet Party leader Mr. Leonid Brezhnev at the recent Central Committee plenum to the development of an "advanced and mature socialist society" which has brought "fundamental changes" in all aspects of social life, including an end to the dictatorship of the proletariat and the creation of a state of the people as a whole.

The distinction between the Soviet Union to-day and the country at the time of the adoption of the 1936 Stalin constitution was underscored by Mr. Brezhnev who, in an unusually frank reference to the Stalinist terror, reminded the Central Committee members that adoption of the 1936 constitution was followed by "illegal repressions" and "violations of the principles of socialist democracy" which, he said, must never be repeated again.

The new constitution, like the stage in Soviet history it is said to reflect, may be the final one. It guarantees democratic liberties, as the Stalin constitution did, but it also includes a list of the citizen's obligations to the State, including his obligation to defend the interest and strengthen the power and authority of the Soviet Government. These qualifications, which were absent from the Stalin constitution, give the new constitution some relation to Soviet society's actual practices. Soviet dissidents will now undoubtedly find it more difficult to justify their activities in the light of the Soviet Government's stated principles.

The new constitution is also expected to be advanced by the Soviets as a model of socialist legality and an answer to the criticisms of Soviet human rights practices by Communists in Western Europe.

The draft constitution is to undergo five months of public debate before being adopted by the Supreme Soviet in October. It pledges the Soviet Union for the first time to pursue peace in its foreign policy and to take advantage of the international division of labour.

The new constitution may also prepare for the party leader, Mr. Brezhnev, to also become Head of State through the creation of a new post—that of First Deputy President. There has been constant speculation that Mr. Brezhnev is about to take over as Soviet President from Nikolai Podgorny, who was dropped from the ruling Politburo on May 24. The creation of the position of First Deputy President would make it possible for Mr. Brezhnev to become Soviet President while leaving routine tasks to an assistant.

## Brezhnev blames China

BY OUR OWN CORRESPONDENT

MOSCOW, JUNE 7.

THE SOVIET Party leader, Mr. Leonid Brezhnev has blamed the failure to improve Sino-Soviet relations on the new Chinese leadership and has said that the Chinese are continuing to deliberately sow discord between States.

Although the Soviet Union is in favour of restoring good relations with China, he said, the new Peking leadership continues to follow the hostile policies of Chairman Mao Tse-Tung.

"It is a fact that the campaign of attacks on the policy of detente is being continued and any measures in the area of disarmament are being impeded," he said.

Mr. Brezhnev's remarks about China were made in a series of answers given to written questions proposed by the Japanese newspaper Asahi Shimbun and published on Monday by the Soviet official news agency Tass.

His comments appeared to deepen further the Sino-Soviet feud which had been characterised by a lull in Soviet anti-Chinese statements and propaganda attacks since Mao's death last September.

Mr. Brezhnev appeared to be addressing himself specifically to a Japanese audience when he said Chinese insistence that the Japanese agree to a controversial anti-hegemony clause in order to sign a proposed Sino-Japanese peace treaty is part of the Chinese attempt to curb Soviet influence in the Far East.

## Concorde on course for supreme court

By John Wyles

NEW YORK, June 7.

THE U.S. Federal Government's strong attack yesterday on the Concorde landings ban at New York's Kennedy airport is seen here as a very mixed blessing for the legal battle being mounted by British Airways and Air France.

The attack, contained in a brief filed by the Department of Justice at the request of three Appeal Court judges, represents the first Federal Government involvement in the New York court proceedings. On the surface, the brief's accusation that the New York and New Jersey Port Authority's actions have been "unfair, dilatory, arbitrary and unreasonable" would appear to be a boost for the aircraft and its chances of getting into Kennedy.

However, after studying the fine print, the airlines' lawyers have been depressed to find that the Justice Department has offered no support for the basis on which the federal District Court Judge Milton Pollack ruled that the ban must be lifted. He said on May 11 that the port authority had been pre-empted by the Federal Government's authorisation of Concorde landings for a trial period.

But the Justice Department says that it was not seeking to pre-empt the Port Authority, since it has no power to tell an airport operator what noise regulations to impose. This statement is prompted by the federal government's desire to avoid any exposure to possible noise damages suits. Ingeniously, the Justice Department brief seeks a middle course by arguing that the Port Authority's ban was imposed last year pending a six-month study of operations elsewhere and that the Port Authority is at fault in repeatedly postponing a final decision. This "arbitrary action" becomes even more "unreasonable and offensive" in view of the airlines' latest efforts to satisfy the authorities' anxieties over noise, says the Justice Department.

### Vance for China

MR. CYRUS VANCE, the U.S. Secretary of State, expects to visit China in the second half of August, the U.S. State Department announced, Reuter reports from Washington that the department's spokesman, Mr. Hodding Carter, said exact dates had not been decided and that he could not say what other countries would be visited. The last top U.S. official visit to Peking was President Ford's in December, 1975.

## Rhodesia hints it may cut power supply to Zambia

BY TONY HAWKINS

SALISBURY, June 7.

DESCRIBING Saturday's "indiscriminate" missile attack from Zambia on the Rhodesian village of Kariba as "nothing less than a criminal act of aggression against black and white civilians as well as foreign tourists," a Rhodesian Cabinet Minister to-day hinted at possible economic reprisals against Lusaka.

In the first Rhodesian Government reaction to Saturday evening's rocket attack from Zambia, the Rhodesian Minister of Combined Operations, Mr. Roger Hawkins, said the Zambian Government "could well bear in mind the fact that Zambia still draws a considerable proportion of her energy requirements from the hydro-electric power scheme at Kariba, the very place which she has so provocatively attacked," he said.

There is considerable uncertainty as to how reliant upon Kariba power Zambia still is, with one Lusaka source claiming that Zambia was now self-sufficient in electric power, while at the other extreme a Rhodesian Government source claimed Zambia still relied on Kariba for almost half its power.

He also claimed that if Rhodesia were to pull the plug at Kariba, the copper mines would be stopped "within three days." However, mining industry sources here were sceptical of this claim saying that with the north bank generators now on stream at Kariba, and with Zambia having access both to power from Zaire and domestic supplies, the mines could keep operating "at least for a limited period."

The Minister's statement marks an apparent reversal of previous Rhodesian policy towards the jointly owned power undertaking at Kariba—controlled equally by Rhodesia and Zambia. In early 1973, shortly after he had closed the border posts with Zambia, Mr. Ian Smith, the Rhodesian Prime Minister, ruled out any tampering with Kariba project.

It was a joint complex and Rhodesia, he said then, had an obligation under the scheme which must be honoured. Although Zambia was not honouring its obligations towards Rhodesia (by harbouring guerillas), Mr. Smith said, "the fact that they chose to behave in a barbaric and uncivilised manner is no excuse for us to do likewise."

In Salisbury, Rhodesian sources were at pains to emphasise that to-day's statement should be seen as a clear warning to Zambia, albeit one that was apparently watered down by the Prime Minister to-day before being released. The original is understood to have been considerably more forthright.

The Rhodesians are angry not only at the mortar attack, in which civilian targets were damaged and two civilians received minor injuries, but also at the sabotage attack on Kariba power lines and a bridge in the area late last week. Two Kariba power pylons were damaged by guerilla explosives on Friday night, necessitating power cuts in some Salisbury suburbs on Saturday morning while repairs were made. The Rhodesian view is that if Zambia harbours guerillas who attack Rhodesia's power supplies then she must be prepared for similar retaliation.

Commenting on the Kariba attack, Mr. Hawkins said this should be contrasted with Rhodesia's raid into Mozambique last week, when security forces "scrupulously avoided" involvement with innocent civilians and concentrated on attacking guerillas. The Rhodesian raid had been carried out in the interests of the defence of Rhodesia, while the attack on Kariba was "completely unprovoked."

Mr. Hawkins said that the British Foreign Secretary, Dr. David Owen, had said that Rhodesia's military action inside Mozambique had not only threatened the Anglo-American peace initiative but also threatened triggering a serious military conflict in southern Africa.

Dr. Owen had called upon Rhodesia to demonstrate its sincerity in its desire to reach an acceptable settlement. The Rhodesian Government was now calling upon the British and U.S. Governments to demonstrate their sincerity by condemning the Zambian aggression.

So far as the Anglo-American peace effort is concerned, there is growing cynicism and anger in Salisbury at the attitude of the British and U.S. Governments—illustrated in Mr. Hawkins' statement to-day. In particular, Whitehall suggestions that the Mapai raid last week was aimed at sabotaging the talks is seen here as "a grotesque distortion," to quote one official.

The fact is that Rhodesia, along with Bishop Muzorewa's United African National Council, is the one party committed to trying to make the talks work. All other parties involved, the source said, have frequently expressed their hostility to the Owen plan. Yet, he said, Rhodesia is accused of deliberately trying to undermine the plan.

Mr. Andrew Young, U.S. Ambassador to the UN, said yesterday that former Presidents Kennedy and Johnson could be described as racists, a term he has already applied to ex-Presidents Ford and Nixon, Reuter reports from Washington. This latest comment came at a congressional hearing a few hours before a scheduled meeting with President Carter and amid new attacks particularly for his comments about Mr. Ford. Senator Barry Goldwater, a former presidential candidate, said many men often put a foot in their mouths but that Mr. Young "can put both feet and both hands and his hat in his mouth at the same time."

## Begin asked to form cabinet

BY DAVID LENNON

TEL AVIV, June 7.

MR. MENACHEM BEGIN was to-day invited by President Katzir to form the next Israeli Government.

The Likud leader, in accepting the invitation, said that he hope to complete the formation of his coalition next week.

Even before going to see the President, Mr. Begin appeared to have assured himself of a coalition with a narrow majority. Negotiations for a broader coalition which would include the 15 members of the Democratic Movement for Change were continuing this evening.

The Likud, with 45 seats in parliament, is virtually certain to be supported by the 12 member National Religious Party. Another likely partner is the four-man parliamentary representation of Agudat Israel. This is an extreme religious party that wants stricter Sabbath laws, a ban on abortions, limitations on autopsies, and an end to forced army service for girls.

Mr. Begin told President Katzir that despite the Labour Party's rejection of an earlier appeal he would again ask them to join with his party in a national unity government.

The Right-wing leader said that Labour shared Likud's rejection of the establishment of a Palestinian state on the West Bank and the Gaza strip, rejection of a return to the 1967 borders and the rejection of participation of the Palestinian Liberation Organisation in any peace negotiations.

A nationalist-religious coalition of 61 out of the 120 Knesset members may be joined by the single Knesset member from another extreme—but socialist religious group, Poalei Agudat Israel. If Mr. Moshe Dayan, who was elected on a Labour ticket and has been offered the Foreign Ministry, retains his seat, the coalition would have 63 members.

Leslie Colitt, in Poznan, describes . . .

## A Poland short of meat and tempers

THERE IS an excess of rich cakes and cream in the cafes of Poznan, a growing number of Polski Fiats in the streets and the price of a kilo of roast beef in the butcher shops is only 36 zlotys ($1.8 cents at the tourist rate of exchange). However, there is no roast beef or virtually any other meat to be had by noontime in Poznan, a city of 500,000 inhabitants in Western Poland.

Polish newspapers often write of the current "difficulties and shortages"—and they do not exaggerate. In three butcher shops in central Poznan, from 50 to 75 shoppers stand idly about inside, waiting not for available supplies but for a possible delivery of meat. Most of them are elderly women, sent to wait by their married children who work. They have been patiently waiting for hours when a single tray of boeuf tatare appears and quickly disappears at the bargain price of 70 zlotys a kilo.

Throughout Poland, meat is scarcer than at any time since 1969 and one of the main culprits pointed to is the abnormally low retail price of beef and pork. A kilo of beef cost 36 zlotys. The Government, though, is doing the pointing. When it tried to raise meat prices last year by 70 per cent., Polish workers replied in June by tearing up railway tracks outside Warsaw and rioting in the streets of Radom and other cities.

Now, after two bad harvests in succession and soaring prices for imported fodder, Poland is minus 3m. pigs, which had to be slaughtered last year for lack of animal feed. Meanwhile, per capita annual consumption of meat has jumped from 53 kilos in 1970 to 70 kilos last year. Poles also have more to spend on meat as wages have gone up by 47 per cent. since Poland's Communist Party leader Edward Gierek came to power in January 1971.

None of the facts, however, convinces the typical Pole, who believes, as one housewife here, that the meat is "going to the Russians" or as most people say, is simply being "exported."

But if the people of Poznan are grumbling about the lack of meat and sausage, nearby private farmers say they have never been so well off. They may not be delivering much meat at the Government purchase price of 29 zlotys for a kilo of beef or 43 zlotys for pork, but that can hardly be expected at these low incentive prices.

Marian Paczkowski farms 30 acres of his own in the village of Skotniki, 25 miles west of Poznan. Together with the nearly 3m. other private farmers who till 75 per cent. of Poland's farmland, Mr. Paczkowski, his wife and son Gregorz, who will inherit the farm, managed to do better than Polish peasants a generation ago would have dreamed possible. The Paczkowskis have just built a new barn costing 500,000 zlotys (nearly £8,500), without taking a bank loan, and they are about to buy a new Polish tractor for 122,000 zlotys in cash. His farmhouse, built 10 years ago, cost 300,000 zlotys for which he took a 50,000-zloty 20-year credit at 3 per cent. Apart from this, the Paczkowskis are wholly free of debts.

As to the meat shortage, Mr. Paczkowski pauses a moment and then says the reason is that a large amount is being exported. Personally, though, he says he is not much interested in meat production and wants to specialise in dairy cows as, he notes, the "price for milk is good." There is no shortage of milk or butter in Poland. Under no circumstances would he trade jobs with a farmer on one of the nearby State farms, remarking that: "I'm my own boss here and I decide when to work or not." He adds that his working day is 12 hours and that, unlike the State farmer, he gets no annual holiday nor until now could he qualify for a pension.

As exemplified by Mr. Paczkowski, along with the low prices for meat and the queues in Poland's butcher shops, this country's agriculture is neither fish now fowl, neither socialist nor capitalist. The Polish Government is paying an enormous and growing subsidy to maintain the low price of meat but all plans to raise both the purchase and retail prices run up against the fear of renewed rioting in the cities.

Although Polish industrial wages have risen to 4,088 zlotys a month, prices for manufactured goods remain high. A small refrigerator costs zlotys 1,600 a black and white 21-inch television costs 7,600 zlotys and a simple reel-to-reel tape-recorder sells at 3,500 zlotys. Clothing displayed in the department store windows of Poznan consists largely of misfits, and expensive ones at that. A woman's zippered wool jacket and skirt carries a price tag of 2,100 zlotys and a woman's plain raincoat is the same price. Judging by the window displays it is easy to see why Polish women still depend on their own dress-making skills to create the elegance for which the women of Warsaw in particular are renowned.

However, "Poznan has only one dissident, and he is a good friend of mine," jokes a local Poznan official. Stanislaw Baranczak, in his early 30s, is one of the 24 members of the Workers' Defence Committee set up after the June riots to help workers who were imprisoned or lost their jobs. He has just taken part in the hunger strike by 14 WDC sympathisers in Warsaw's St. Martin's Church.

Mr. Baranczak, who was dismissed last December as a lecturer at Poznan University but still receives his salary, says the WDC has "many thousands of sympathisers." He says tens of thousands of Poles have donated the 2.7m. zlotys collected by the WDC until now to help workers and their families who lost their jobs or were imprisoned after the June riots.

But it is difficult to judge accurately the support among ordinary Poles for the WDC. Mr. Baranczak says his organisation is avoiding anything that might lead to a spontaneous workers' uprising but that the "mood of the people is very bad. Members of the Party and the police are the only ones who are not angry over the shortages," he maintains.

"In the last two years Poles have started thinking about the connection between freedom and bread," he says.

The link, however, may not be so quite clear-cut, as only recently private farmers in Poland were feeding loaves of white bread to their livestock. Bread, which is extremely cheap and in ample supply in Poland, costs less than animal fodder.

## Israel may attack, says PLO

By Ihsan Hijazi

BEIRUT, June 7.

PALESTINIAN guerillas claim that Israel has concentrated troops on its northern border for a possible attack against South Lebanon. They also say right-wing Lebanese Christians are bringing in reinforcements for a major offensive against guerilla positions in the region. The Israeli build-up is reported to have been going on for the past week.

The central publication of the Palestine Liberation Organisation—Falastin Al Thawra—said yesterday right-wing Christians were bringing in more arms and ammunition into the border area. The weekly publication said the supplies were sent from Christian strongholds inside Lebanon to Israeli Mediterranean ports and from there transported overland to Christian villages across the Israeli border.

For the past week, there have been daily artillery duels between the Palestinians in the Nabatiyah region and Christian militiamen entrenched further south.

The Palestinians have been apprehensive since last week's Israeli incursion into the Lebanese village of Kfar Chouba about a mile from the border.

Witnesses said the original reports that 1,000 Israeli soldiers participated in the incursion were exaggerated. The witnesses reported that between 300 and 400 soldiers were involved, and that they left after searching the village for commandos.

## Janata Party routed in Goa elections

By K. K. Sharma

NEW DELHI, June 7.

INDIA'S JANATA Party has been routed in elections to the Territorial Assembly of Goa, winning only three of the 30 seats. Fifteen seats were won by the Maharashtrawadi Gomantak Party while the Congress took six and Independents two.

The winners favour integration of Goa, a former colony of Portugal, with the adjacent Maharashtra State, and won the elections on his platform which was also supported by the Goa unit of the Janata Party.

Janata's poor showing, after its dramatic victory over the Congress in the March Parliamentary elections, comes just five days before 11 states are to go to the polls to elect new legislatures.

Janata leaders here say the defeat of the party is not significant since local issues were involved in the Goa elections, and the Goa results cannot be dismissed as lightly as Janata spokesman are trying to do.

Janata candidates in the 11 states are threatened not so much by Congress nominees as by "rebel" candidates who failed to get Janata tickets and are contesting the elections in defiance of the party's instructions. Since many command local loyalties they will at least split the Janata vote and, if they do not themselves win, they will improve the chances of Congress candidates.

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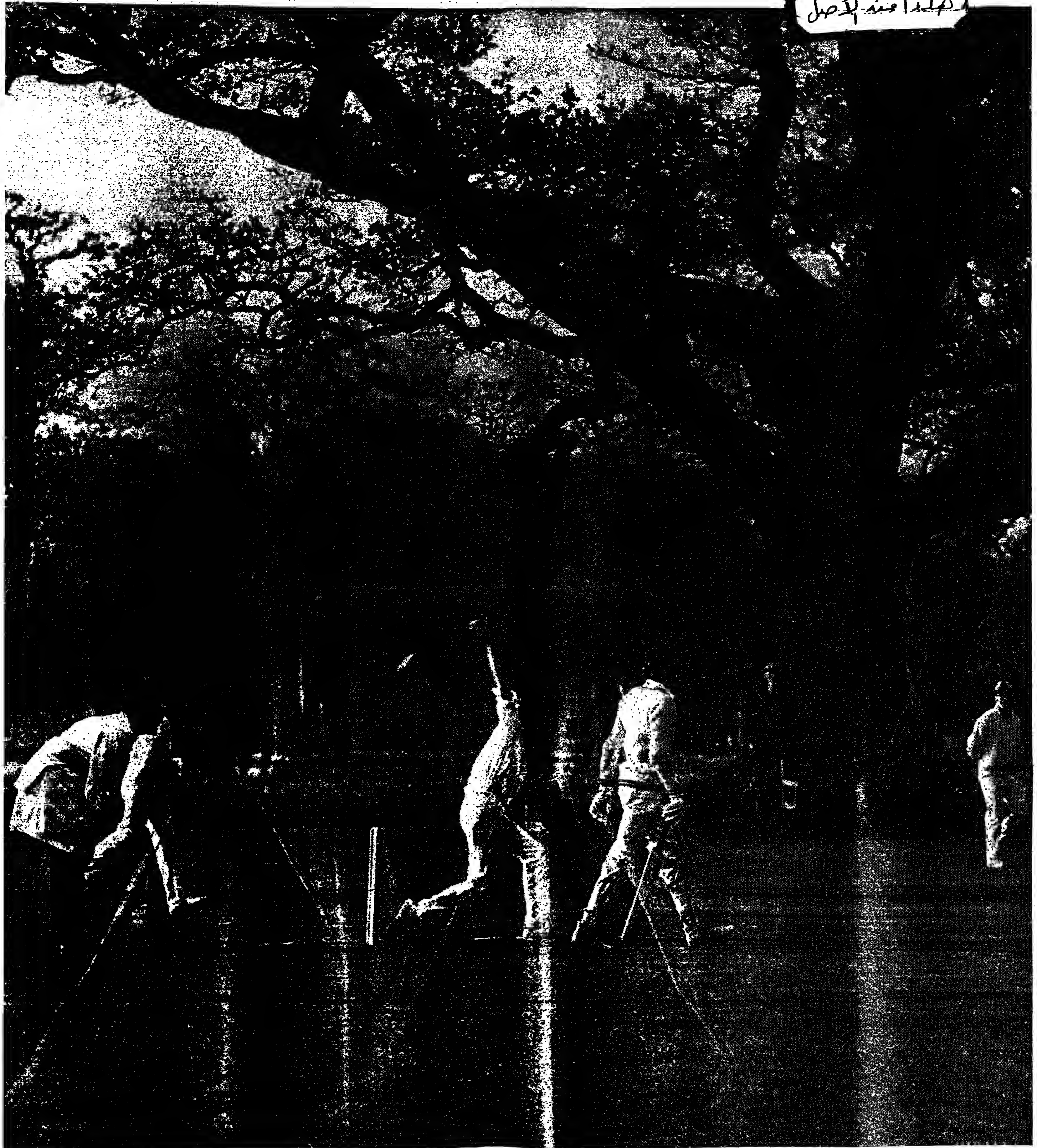


Photograph: Gus Wylie

# Smart delivery is important everywhere.

Shrewd bowling will put the ball just where this bowler wants it in a Sunday afternoon cricket match on the village green.

Carefully planned delivery is our aim, too. We have to make sure towns and villages across the country get the Mobil fuels and lubricants they need, all year round, with absolute reliability. After all, some people find petrol and lubricating oil even *more* important than cricket.

Last year we delivered over one thousand million gallons of fuels and lubes to 25,000 different delivery addresses throughout Britain. Making sure that every customer gets the product he needs at the right time is a complex task. Mobil's Marketing Operations people are well experienced in playing this game — even on the stickiest of wickets.

Delivering product to the customer is the last link in the chain. To ensure we have all the products our customers need in just the right quantities means Mobil's refinery at Coryton must receive the sort of crude oil it needs. Problems do arise, though. Ships loading in the Middle East take up to six weeks to arrive in the UK. They can be subject to delays in foreign ports. Then there's the possibility of the weather delaying supplies from the North Sea. Unplanned happenings like these are common occurrences for our Supply and Distribution staff.

Using our worldwide tracking system for tankers we can see at a glance how to cope with the problems. Mobil tankers en route from Nigeria and other oil producing countries are always on the high seas and with several telephone calls we can usually divert one of them to Coryton. That's the benefit of being part of one of the largest oil companies in the world.

Ninety-one years of doing business with people all over the UK has taught us a few things about running our business to serve people best. The most important lesson we've learned is that we can't afford a no ball delivery. It's not cricket!

Mobil®

# WORLD TRADE NEWS

## Motorbike protest in America

By David Bell

WASHINGTON, June 7.

HARLEY-DAVIDSON, the last major U.S. motorcycle manufacturer, to-day joined the growing list of U.S. companies that are accusing their Japanese competitors of dumping their products in the United States.

The company formally petitioned the U.S. Treasury, which has jurisdiction in dumping cases, to levy duties as high as 58 per cent. on Japanese motorcycles, on the grounds that their makers are selling them more cheaply in the United States than in Europe and Japan.

Harley-Davidson officials said that Japanese manufacturers now account for 87 per cent. of all the motorcycles sold in the U.S., with American manufacturers only selling about 7 per cent.

The company said that Japanese motorcycle makers had overestimated sales in previous years, building up a large inventory which they were now trying to sell off at lower than legal prices.

The Treasury now has 30 days to conduct a preliminary probe into the complaints to see if a much larger formal investigation is justified. If such a finding materialises, the Treasury can then impose duties equal to the difference between American and home market prices.

## Japanese surplus may be double forecast

BY DOUGLAS RAMSEY

TOKYO, June 7.

EARLY estimates of Japan's exports in May tend to support private predictions that Japan's trade surplus in fiscal 1977 to next March will be about double the official Government forecast of $7.3bn.

The Economic Planning Agency (EPA), which puts together Tokyo's trade and current account forecasts, is sticking by its earlier estimate of $74.8bn. worth of exports and $67.5bn. imports in fiscal 1977, but it has been way off mark in the past.

In 1976, for instance, the EPA refused to revise its forecast of a $4bn. trade account surplus until the last few weeks of the year. Just recently the Ministry of Finance put out a semi-final figure for the trade surplus in fiscal 1976: $11.2bn., or three times the EPA forecast.

In April Japan's trade met with the largest monthly surplus to date, or $1.78bn. No one expects Japan to keep up that sort of performance, which at a seasonally-adjusted, annual rate would put the 1977 surplus at almost $21bn.

But critics point to the seasonal rate for the first four months of calendar 1977 which, if stretched to all of fiscal 1977, would mean a surplus of over $17bn. Most private economists, though, expect Japan will only slightly exceed its 1976 performance with a $12bn. trade surplus, and that would mean $5bn. in the black on current account after deducting the anticipated deficit on invisibles.

Those economists, like Mr. Tsuchiyama at Daiichi Kangyo Bank, who are predicting a $12bn. surplus in 1977 are calculating into their forecasts a substantial appreciating of the yen, without which the surplus could well exceed $14bn.

The thinking is similar at the Bank of Tokyo, but has not yet made inroads at Government agencies which are predicting a down turn in exports during the second half of the year. They were predicting the same in June, 1976, so the private sector is less inclined to believe the EPA this time round.

Next week the Ministry of Finance will release preliminary IMF-basis figures for trade in May, but it is already clear from early returns that exports were still rising in double-figures. Export letters of credit in May were up 19 per cent. on the year-ago level, not far behind the 24 per cent. rise in exports in April which eventually led to the $6.75bn. export total and a record trade surplus of $1.78bn.

Mr. Ueno, an official at the EPA, admits that the official forecast of a $7.3bn. looks "conservative," but contends that Tokyo expects a rapid slowdown in exports in the third and fourth quarters. He also said that, as in past years, the EPA will not issue a revised forecast unless the Government has to ask for a supplementary budget like the one agreed at the tail-end of fiscal 1976.

## Miti replies to Europe complaints

By Our Own Correspondent

TOKYO, June 7.

JAPAN'S Ministry for International Trade and Industry (MITI) has compiled a list of responses to the most common European complaints about Japan's trade policies.

The list was handed to a visiting group of 31 European economic journalists to-day, and it represents a detailed defence of Japan's import and distribution structure.

After briefly enumerating five sectors in which Japan is controlling its exports (steel, automobiles, bearings, shipbuilding and television sets), the MITI handbook published to-day points to and answers 16 separate "European claims."

Heading the claims is the argument that Japan's trading companies, "which have close relationships with Japanese industries, control and manipulate most of Japanese imports."

Japan's response, according to MITI, is that since the trading companies account for 56 per cent. of Japan's total imports, they are "eager to vigorously import and market foreign products in line with the demand trends of Japanese consumers."

In answer to mainly French and British claims that the Japanese distribution system creates extremely high margins on many of their sales in Japan, MITI puts the blame on the exporters and a "marketing policy that it is more lucrative to sell a limited volume of products at higher prices."

MEXICAN TRADE

## U.S. the key to export success

BY ALAN RIDING IN MEXICO CITY

A SHARP improvement in Mexico's trade figures is being heralded as evidence of an economic recovery. The official line is, of course, over-optimistic.

To a large extent, the drop in the trade deficit so far this year is due to falling imports of capital goods, which in turn reflect the lack of new investment and economic activity. But there are signs that, for the first time, a coherent export strategy is being prepared to help avert a new payments crisis once the economy is reflated.

The six-month-old Government of President Jose Lopez Portillo has three basic tactics to avoid a recurrence of the situation that led to last autumn's peso devaluation: to bring inflation down to American rates; to reduce the budget deficit, first by cutting public expenditure and then by raising tax revenues; and to lower the rate of foreign borrowing by shrinking the payments deficit.

The payments deficit in fact began to narrow last year—$2.02bn. against $3.77bn. in 1975—in response to the slowing economy and the peso devaluation, but the sharp cut-back in public spending and the tight credit situation has accelerated the trend this year. Imports during the first four months of this year were $1.636bn. compared with $2.107bn. last year and $2.200bn. in 1975. Spending abroad by Mexican tourists also fell, since they must now pay 22.85 pesos for every dollar compared with 12.50 pesos a year ago.

Exports, on the other hand, are booming—up during the first four months of the year to $1.45bn. against $1.13bn. last year and $905m. in 1975—thanks largely to unprecedented coffee revenues and growing oil exports, now running at 170,000 barrels per day.

These improvements, however, in no way imply a surge in the export capacity of industry at large. On the contrary, this is where the new Government has still to carry out a revolution. The challenge, then, is to stimulate investment in export industries, to make the resulting products competitive in price and quality by lowering domestic protectionist barriers and, finally, to find markets for these goods. "The first problem is to have something to export," noted Sr. Adrian Lajous, head of the Foreign Trade Institute. "The export promotion comes later."

Without admitting it, Mexico has begun following Brazil's tactics of the late 1960s by offering a vast package of tax incentives for export industries, even including subsidies for the importation of capital equipment needed for the manufacture of export products. The certificates for the return of export taxes, known as CEDIS, suspended after the peso devaluation, have also been revived for manufactured and semi-manufactured goods. In addition, new foreign investment that will devote a significant part of production to export can expect "flexible" interpretation of the controversial 1972 Foreign Investment Law.

But perhaps what is even more ambitious is the Government's effort to make Mexican industry more competitive and wean it away from its captive market. Despite pressure from the private sector, the Finance Ministry has refused to fix the peso at a new parity with the dollar, insisting that it be allowed to float—in practice, slowly downwards—in order to maintain its real value during a time of continuing high inflation. Having an overvalued currency is clearly one past mistake that to avoid.

The Commerce Ministry has begun substituting the traditional system of import licences for ordinary import duties, thus preventing domestic industry from keeping out more costly but better quality foreign competitive products. So far, 440 items have been "freed" from import licences and in time, except for politically or socially sensitive products, import duties will be lowered to force Mexican manufacturers to sell at close to international prices.

The Government is even planning to drop all protection for capital equipment on the grounds that high priced or low quality machinery tends to promote inefficiency through all subsequent phases of manufacturing. One significant side-benefit of this policy change is that it should eliminate the corruption traditionally associated with the acquisition of import licences.

The search for new export markets was the main emphasis of the policy of the last Mexican Administration, but it [illegible] because domestic industry [illegible] quite unprepared to provide goods and make the effort [illegible] abroad. However, the [illegible] slump in domestic demand [illegible] economy is expected to [illegible] close to zero growth this year is forcing many companies [illegible] choose between seeking [illegible] markets or cutting back production and dismissing workers. Many are choosing the latter but not all.

The Government itself has revamped its own machinery for export promotion and [illegible] than for political reasons [illegible] ing infertile markets in the third world and the [illegible] bloc, it is unabashedly looking to the U.S. to buy [illegible] Mexican products. [illegible] trade deficit with the U.S. [illegible] was $1.910bn. last year [illegible] while Mexican oil sales [illegible] improve the picture this [illegible] the gap will still remain [illegible]

More than anything, [illegible] Mexico is pressing the U.S. [illegible] lower its protectionist—[illegible] all, non-tariff—barriers [illegible] Mexican agricultural and [illegible] manufactured exports. But [illegible] without such concessions, [illegible] U.S. undoubtedly offers Mexico the natural market for [illegible] rapid expansion of its exports not only because of its proximity but also because American technology and consumption patterns have long dominated the Mexican economy.



## Clothing industries put forward MFA proposals

AMSTERDAM, June 7.

CLOTHING industry representatives from Western Europe, the U.S. and Japan have presented a programme for extending the Multi Fibre Agreement (MFA) to the three chief Government negotiators of these areas, the Dutch Apparel Association (NEVEC) said.

The industry called for a renewal of the MFA for five years on condition that the overall growth rate of imports is no greater than the growth of domestic market demand and with a 6 per cent. limit on growth in any individual category.

No quota growth is allowed for products already heavily affected by imports, defining effect as the percentage of consumption/production of importing countries.

Other conditions include revision of the MFA flexible provisions. These now allow carryovers of unused ceilings from the previous year, borrowing from ceilings from following year and borrowing from other categories where shipments are lagging.

Initial reaction from Government negotiators showed that only the EEC was [illegible] pathetic to the proposals, NEVEC said in a statement released here.

Reuter

## Venezuela rail agreement

OTTAWA, June 7.

CANADA AND Spain will participate equally in a billion-dollar project to build a 700 km. railway in Venezuela, the Canadian Trade Minister, Mr. Jean Chretien, told a news conference here.

He said it was agreed during week-end meetings in Venezuela that the two countries, among six who bid on the project, would undertake the project jointly.

Canada will supply equipment and technology for the railway while Spain will build the road bed and complete [illegible] porting work," Mr. Chretien said.

He estimated details of agreement will be finalised by the end of the year and work will begin in 1978.

Reuter

## New Romanian air deal

PARIS, June 7.

THE West German-Dutch VFW-Fokker aircraft manufacturing group and the Romanian government will shortly become partners in a $600m. aircraft industry in Romania, the VFW-Fokker chairman, Mr. Gerrit Klapwijk, said here.

He said he had completed the deal with Romanian President, Mr. Nicolae Ceaucescu, and VFW-Fokker will put up 45 per cent. of the capital.

The agreement, which will be formally signed in the next few weeks, provides for construction under licence of 100 VFW-Fokker 614 airliners designed to carry 44 passengers on short hauls of up to [illegible] nautical miles, Mr. Klapwijk said.

In the preliminary stages planes will be assembled [illegible] components supplied by VFW-Fokker's West German [illegible] Dutch plants and associated Belgian factories, but from the 32nd aircraft onwards they will be entirely Romanian-built.

Reuter

● British Aerospace [illegible] signed an agreement [illegible] Romania which may lead to production of the BAC One-Eleven airliner in Romania.

## Contracts

● De Havilland Aircraft of Canada has received 12 new orders for its latest DHC-5D Buffalo transport worth $77m. It said the Sudan and the United Arab Emirates ordered one Buffalo apiece, but did not disclose the buyers of the other ten aircraft. De Havilland said the current orders bring the number of Buffalo aircraft sales to 86.

● Boeing has placed a new order worth about $A5m. (£3.2m.) with the Australian Government Aircraft Factories in Melbourne for 280 sets of elevators for Boeing 727 aircraft. The work is part of the Australian government's policy of requiring offset contracts for Australian industry against purchases of major high-technology equipment from overseas.

● The French consortium Cofraran and the U.S. company Morrison Knudsen have signed preliminary contracts covering materials for the first stage of a planned 410 kilometres motorway in Iran, a spokesman for Cofraran member Etablissements Jean Lefebvre said. Final contract for the motorway could eventually be worth Frs.3.5bn.

● A four-company Japanese consortium has recently received orders totalling Y27bn. (about $98m.) from the United Arab Emirates for the construction of two thermal power plants and two desalination plants, Mitsubishi Heavy Industries said.

● The Water and Electricity Authority of the United Arab Emirates has awarded [illegible] International a £5.6m. contract for civil works involved in the addition of two 75MW units which will double the capacity of the power plant at Ras Khaimah.

## World Economic Indicators

UNEMPLOYMENT

| | | | | | |
|---|---|---|---|---|---|
| | | May '77 | April '77 | Mar. '77 | May '[illegible] |
| U.K. (SA) | 000's | 1,315.9 | 1,322.6 | 1,321.1 | 1,258 |
| | % | 5.6 | 5.6 | 5.6 | 5 |
| W. GERMANY | 000's | 946.5 | 1,039.4 | 1,084.2 | 953 |
| | % | 4.1 | 4.6 | 4.8 | 4 |
| | | April '77 | Mar. '77 | Feb. '77 | April [illegible] |
| U.S. (SA) | 000's | 6,737 | 7,064 | 7,183.0 | 7,047 |
| | % | 7.0 | 7.3 | 7.5 | 7 |
| | | Mar. '77 | Feb. '77 | Jan. '77 | Mar. [illegible] |
| HOLLAND | 000's | 201.5 | 219.0 | 225.8 | 216 |
| | % | 5.3 | 5.7 | 5.8 | 5 |
| BELGIUM | 000's | 255.7 | 260.0 | 265.22 | 221 |
| | % | N.A. | N.A. | 10.3 | 8 |
| | | Dec. '76 | Nov. '76 | Oct. 76 | Dec. '[illegible] |
| FRANCE | 000's | 1,036.9 | 1,040.0 | 1,025.0 | 1,01[illegible] |
| | % | 4.7 | 4.7 | 4.6 | 4 |
| | | Oct. '76 | Sept. '76 | Aug. '76 | Oct. '[illegible] |
| JAPAN | 000's | 1,000.0 | 1,010.0 | 1,030.0 | 1,03[illegible] |
| | % | 1.8 | 1.9 | 1.9 | 1 |
| | | Oct. 76 | July '76 | April '76 | Oct. '[illegible] |
| ITALY | 000's | 777.0 | 776.0 | 693.0 | 69[illegible] |
| | % | 4.0 | 4.0 | 3.5 | 3 |

# Government blamed for engineers' plight

ROY HODSON

RNMENT POLICIES over mber of years have been nsible for the financial lties of the British eering industry, the Engi-ring Employers' Federation old the Sir Harold Wilson ittee of inquiry into ial institutions.

engineers absolve the cial institutions from blame. ability of finance, the EEF ls, is not the engineering try's major investment em. Rather the problem is f lack of confidence in the r resulting from unstable rnment policies, low de-, under-utilisation of exist-apacity, and high inflation. h very few exceptions eering firms are said to a good relationship with financial institutions from they are said to receive irely satisfactory service."

EEF conclusions have been on extensive interviews the chief executives of h engineering firms.

gineering employers believe rnment's role is crucial in mining the environment in h they have to operate. The t mentions such factors as ating industry's financial ion and the ability to in-control by the Bank of and, the supply and cost of y, influence upon inflation, and influence upon employ-levels and exchange rates.

e EEF submits that there is ntly no shortage of long-funds to finance investment, or short-term funds to cover current asset needs. The situation, it states, has changed from that existing in the early 1970s when longer-term finance was relatively scarce. Even then it was, in general, the case that a reasonably efficient company putting forward a sound commercial proposition could obtain the necessary finance.

The EEF points out that the cost of finance has been high, particularly during 1976, and particularly in relation to profitability, the achievable rate of return, and interest rates prevailing abroad. Companies which had been dependent upon external finance had been badly affected and had had to cut back their spending plans.

One area of financial concern to some EEF members is that of export credit. The EEF tells the Wilson committee that the terms offered by the Export Credits Guarantee Department often do not correspond to those offered to competitors abroad by their equivalent organisations and thus the competitiveness of British firms is correspondingly reduced.

Summing up the engineering industry's attitude to the financial institutions the report says, "It must be stressed that the industry in general considers its relationships with the financial institutions and the service it receives from them to be very satisfactory. Most of the financial problems of industry can be laid fairly and squarely on the shoulders of government. The financial problems of the engineering industry have in no way been caused by the financial institutions. They are entirely the responsibility of governments which appear to have no comprehension of how industry works."

**RETURN ON CAPITAL IN THE ENGINEERING INDUSTRY**

| Size of Company Group | 1972 % | 1973 % | 1974 % | 1975 % | 1976 % |
|---|---|---|---|---|---|
| 1-50 | 15 | 22 | 4 | 18 | 27 |
| 51-250 | 19 | 15 | 21 | 23 | 20 |
| 251-1,000 | 20 | 20 | 19 | 21 | 22 |
| 1,001-10,000 | 14 | 17 | 16 | 16 | 19 |
| Over 10,000 | 14 | 16 | 17 | 16 | 17 |
| All Companies | 14 | 16 | 17 | 16 | 18 |

All figures give a weighted average percentage return on capital, weighted by current numbers employed.

# Call to lend more to industry

BY RHYS DAVID

BRITAIN'S 15,000 bank managers and their staff must be involved much more actively in medium- and long-term industrial lending if the necessary increase in U.K. investment is to be achieved, the Wilson Committee on the City has been told.

In a submission to the Committee, Professor Glyn Davies, professor of banking at the University of Wales Institute of Science and Technology, argues the policy of the banks is insufficiently geared to industrial restructuring and the very large number of bank branches around the country while performing very well as a drain for liquid savings is not acting to the extent it should as a tap for industrial investment.

The banks' share of funds for capital investment in the U.K., Professor Davies points out, rose from 11 per cent. in 1971 to around 30 per cent. in 1972-3-4 but fell again sharply in 1975 to 6 per cent. and has not yet recovered to the 1972-74 levels.

Professor Davies claims the banks' response to criticism of their work in the industrial development field—the creation of separate institutions—is unlikely to be as effective as the use of the branch network where the manager could be in contact with the short and longer-term requirements of customers.

The paper argues that to achieve the necessary deeper involvement of U.K. banks in industrial investment, bankers will have to be brought more fully into the field of subsidised government finance for industry. In order to get banks to do much more term lending a guarantee fund would be essential.

He suggests a national finance commission divided into a monetary commission to look after short-term factors liaising with the Bank of England and the Treasury, an industrial finance commission to look particularly at medium and long-term industrial investment and a long-term debt commission to oversee long-term savings, mortgages, insurance and pensions.

# Prices battle with Tesco may slow food inflation

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE PRICE war between supermarkets is likely to be stepped up tomorrow when Tesco unveils the pricing policy it is adopting in place of trading stamps.

The battle will be fought both in the shops and the media, where Tesco alone is spending £1.5m. in June. It will probably reduce gross margins throughout the grocery trade for at least a month and may for a time slow down food price inflation.

Tesco, which announced a month ago that it was dropping Green Shield stamps after 13 years, is expected to cut its grocery prices by at least 3 per cent.

Most cuts will be financed by the £20m. plus saved through not giving stamps—about 2 per cent. on turnover—but Tesco, which aims to increase its volume by 20 per cent. over the next year, will reduce prices by more than that.

The cuts are expected to be concentrated on 150 to 200 big selling lines. On these items prices may be cut by an average of around 5 per cent. Within any broad average, however, are likely to be considerable variations and the reductions on some major lines are expected to be much more drastic.

## Absorbed

Since Tesco's announcement that it was giving up stamps, speculation in the trade has been rife about the details of the company's new trading policy. Last week some of Tesco's competitors claimed that it had eased its gross margins upwards since deciding to give up stamps so as to give it more room for manoeuvre. But Tesco firmly rejected this idea. Tesco said it could prove that it had actually absorbed 350 manufacturers' price increases over the past few weeks rather than pass them on to the public.

Other supermarkets are likely to respond to Tesco's new policy on a number of different levels. Most of the big groups will be stepping up both their national advertising and their normal price-cutting activity this week.

International Stores and Gateways, for example, which have both announced that they intend putting Green Shield stamps into more of their shops, will be running double stamp promotions while Green Shield will itself be advertising heavily on television.

Tesco's own advertising budget for June is six times its normal monthly level.

Some groups, like Sainsbury, say they are not unduly worried by Tesco's new strategy as they claim their prices are already below the level at which Tesco's are likely to settle down.

But even Sainsbury, which by coincidence, is moving to a new advertising agency this week, admits that it is going to be "less bashful" about its prices in future.

Equally important will be retailers' reaction on a local level. Virtually all the big groups operate at least three different price lists which they use in different stores depending on local competition.

This means that in those stores where they find themselves losing sales to Tesco they will be able to switch to a lower price list.

Given the high fixed costs of running a supermarket, some stores might find themselves in trouble if they maintained these lower prices for long.

In other areas, where Tesco is not represented or where its prices have been considerably above those of its competitors, other supermarkets may be relatively unaffected by Tesco's new tactics.

The situation is likely to change almost daily. What seems certain is that among the first customers in Tesco's 700 stores to-morrow morning will be the managers of all the other supermarkets in the area.

Some will have instructions from head office to bring their prices down to Tesco's level on a few key lines but others have been told to wait for the dust to settle.

# Weak demand for shoes as imports surge

BY ARTHUR SMITH

CONCERN whether the improved level of activity first noticed last autumn can be sustained is expressed by the British Footwear Manufacturers Federation. It says that, with 7,600 workers in the industry already receiving temporary employment subsidy, jobs will be at risk in the coming months.

The industry, which has suffered from weak demand and an upsurge of foreign imports, is seeking £11.3m. of State aid for a major programme of modernisation.

Nearly half the respondents from the industry to the latest survey by the Confederation of British Industry indicated that they were operating below capacity. Moreover, 69 per cent. said lack of orders would limit output over the next four months.

"The outlook is governed by the clear danger that retailers are now overstocked with summer ranges," says the Federation's review. "Consumer spending overall is likely to be flat for the rest of this year."

# Public holidays bring shipping trade lull

BY OUR SHIPPING CORRESPONDENT

PUBLIC HOLIDAYS in America and throughout most of Europe on Monday of last week made it a little more difficult than usual to detect market trends.

But it was quite clear that the market out of the Gulf for large ships remains very slow indeed and interested charterers had no difficulty in securing vessels at around Worldscale 20½.

According to London shipbrokers E. A. Gibson, medium sized tankers attracted rates of up to Worldscale 40, for a 120,000 tonner taking a 100,000-ton part cargo to the Philippines, while a 95,000 tonner loading for the West was only able to obtain Worldscale 29.

As far as cargoes to the East were concerned, a 78,000 tonner obtained Worldscale 47½ while a 146,000 tonner for discharge in Taiwan was closed at Worldscale 24.

Once again there was a fair quantity of business quoting out of Indonesia with the last reported fixtures being of a 110,000 tonnes taking a part cargo of 100,000 tons to Honolulu at Worldscale 42½ and a 130,000 tonner being closed to the U.S. West Coast at Worldscale 32½. There was little chance in the Mediterranean, West Africa and Caribbean areas.

# arm policy be revised

ancial Times Reporter

GOVERNMENT'S blue- for the farming industry, From Our Own Resources, he thoroughly revised in the mn, and Mr. John Silkin, griculture Minister who has d for the revamp, wants policy and production tar- to be reviewed every two s thereafter.

e 1975 White Paper set the stry a target of e 2.5 per annual increase in farm ut. The medium term aim to cut food imports by m. e year in 1980.

# Cost of Leyland's 1980 Mini goes beyond £270m.

BY OUR INDUSTRIAL STAFF

THE COST of Leyland Car's new Mini project, cornerstone of the recovery plan for the state-owned concern, has risen to beyond £270m.

The fact that the Government and the National Enterprise Board are prepared to back the programme, even at that cost, owes a lot to favourable profit forecasts submitted by the company.

Every effort has been made to reduce capital spending to the minimum, but inflation has inevitably taken its toll. Leyland is determined to go for advanced production techniques to get the level of output and productivity gains considered essential to make the scheme profitable.

In spite of considerable scepticism within the industry, the profit projection drawn up by Leyland for the new model suggests that it could prove a real money spinner in home and export markets.

The launch date for the vehicle, originally scheduled for 1979, has been put back to the spring of 1980. But Leyland is still convinced that the quality and design features will be sufficient to make the car internationally competitive and justify an annual output of about 300,000 units.

The trade union side of the manual employees working party, set up by the Government in the wake of the damaging toolmakers' strike to seek reform of the company's troubled industrial relations, will be putting new proposals to management on Friday.

Shop stewards representing roughly 100,000 manual workers have pledged themselves to a phased two-year programme to achieve the bargaining reforms laid down by Lord Ryder in his original rescue plan for the company.

What will be required on Friday and subsequent meetings of the working party is progress on a detailed reform package. The trade unions are demanding staff conditions by November next year, parity of earnings in all grades within the 36 plants by November 1979, and the introduction of an incentive scheme negotiated and mutually agreed at plant level.

The NEB and Mr. Varley appear to be in broad agreement with Leyland Cars' preferred strategy of retaining a major presence in volume cars and aiming for an annual output of about 1.2m. units and a U.K. market share of more than 30 per cent.

The major concern centres on labour relations because the whole strategy could crumble without a considerable improvement in continuity of production and an advance in productivity to European levels.

To minimise the risk, one idea under consideration by the NEB is to withhold final judgment about the introduction of the planned new middle range car, LC10.

However the LC10 is important to Leyland because without a new middle range car, the Allegro would have to be revamped, this would make the company vulnerable to competition and threaten long term prospects.

Labour News, Page 8

# LABOUR NEWS

## Leyland plans challenged

BY ALAN PIKE, LABOUR STAFF

COUNTER-PROPOSALS to Leyland Cars' ambitious programme for widespread reform of bargaining arrangements have been launched by shop stewards opposed to the development of a single, corporate negotiating structure in the company.

Last month, a meeting of shop stewards from the company's car plants agreed in principle to a two-year programme of bargaining reorganisation, seen as vital for the future of the company by both the Ryder report and the Government. On Friday, there will be further discussion between management and members of the manual employees' working party, set up after the toolmakers' strike earlier this year to consider industrial relations changes.

According to shop stewards, the company has outlined two options for achieving the streamlining of bargaining structure—either through moving to one unit for the 34 car plants or through a system of negotiating common conditions and general wages levels centrally with the precise distribution of the increase being determined in plant-by-plant negotiations.

Some shop stewards are opposed to both schemes. They say that the second would worsen the company's problems and that, in the absence of alternative ideas, negotiators would be tempted towards corporate bargaining for Leyland Cars without taking sufficient account of its possible disadvantages.

### Traditions

In an attempt to prevent this, Friday's meeting will be presented with a document from union representatives in the Oxford area which contains a closely-argued criticism of group bargaining and proposes an alternative scheme for dividing Leyland Cars into geographical sectors for negotiating purposes.

Critics of a single bargaining unit, however outwardly attractive it may appear compared with the existing 58 units and 324 pay rates, argue that it conflicts with contemporary industrial relations notions of devolving negotiating power locally and fails to take account of the development of British Leyland through companies with widely different traditions.

They also doubt whether the company and union officials, even if they agreed on such a scheme, would be able to sell it to the workforce without further damaging disputes.

It would cost Leyland some £50m. to level up existing pay rates to produce parity across the company. But the Oxford document argues: "It is most unlikely that workers at the highest paying plants would be prepared to see large increases being gained elsewhere without requiring some increase themselves." Problems would also arise within particular plants with some groups gaining far more than others.

Corporate bargaining—which the Oxford group believes goes far beyond the substantial reduction of bargaining units called for in the Ryder report—would also, it is argued, destroy the prospect of introducing a meaningful incentive scheme. A single national scheme would be unlikely to provided any real alternative while a variety of local schemes would threaten the whole concept of a uniform pay structure across the group.

### Comparisons

Under the alternative Oxford plan, which its supporters say could be introduced for an estimated £35m., bargaining would take place in about seven sectors drawn from the existing structure "rather than creating a totally artificial unit."

The authors of the document concede that the disadvantage of such a scheme is that claims based on comparisons with other sectors would not be admissible. But they believe this "might prove to be an acceptable price to pay in order to retain some reasonable degree of local control over the conduct of negotiations."

## End school meals subsidy, say heads

THE CHARGE for school meals should be more than trebled from 15p to 50p a day, delegates to the annual conference of the 19,000 strong National Association of Head Teachers, decided yesterday.

By an overwhelming vote in Southport they carried a motion urging that the charge for school meals should be raised to the full economic rate.

Mr. Tom Coring, headmaster of Whitegate End county primary school, Chadderton, near Oldham, claimed that subsidising school meals was now costing £400m. a year in rates and taxes.

He suggested that this money would provide jobs for 12,000 more teachers to reduce the number of children in each class or could be used to provide more jobs for school leavers.

He estimated that every child who stays at school for a meal at lunchtime is now subsidised to the extent of £70 a year—35p for each school day. But for each of the 340 pupils at his school, he said, he was allowed only £5.58 a year for books and equipment.

## Employers fear the prospect of free-for-all in Phase Three

BY OUR LABOUR STAFF

EMPLOYERS WILL be bound to conclude there would be little advantage and probably considerable harm in a third phase of incomes policy which was effectively a charade, the Engineering Employers Federation tells its members to-day.

"A thinly disguised free-for-all would no doubt be more harmful than a genuine one—particularly if it was based on an excessively high norm which inevitably would be interpreted as an entitlement, and coupled with aggressive bargaining," says the federation in this month's issue of EEF News.

If a serious attempt were to be made to design a Phase Three several complex technical questions would have to be faced.

These included consolidation of the first two phases, productivity payments and their effect on those whose productivity could not be measured, differentials and "the effect on existing bargaining units as competing unions struggled over their companies' dismembered pay structures."

Meanwhile, the executive of the Post Office Engineering Union has decided to recommend its conference later this month to reject a third phase of pay policy. The union supported the two previous phases.

Explaining the decision, Mr. Brian Stanley, general secretary, says in a message to members the union made it clear some months ago to both the TUC general council and the Government that certain minimum limits must be met if Phase Three were to stand any chance of gaining acceptance.

These included action on differentials, consolidation, freedom to negotiate on productivity and a reduction in working hours.

The executive believed these objectives must be pursued with the Post Office as soon as possible. But they were "extremely unlikely to be compatible with any conceivable form" which Phase Three might take.

In the light of this, the executive believed the right course was to recommend conference not to support a third phase of wage restraint.

'The fig leaf is off' Page 14

## Jubilee news coverage hit by two disputes

BY OUR LABOUR STAFF

INDEPENDENT TELEVISION and provincial newspaper coverage of Jubilee Day were both hit by disputes yesterday.

Thames Television live coverage, which should have been transmitted throughout the ITV network, was blacked out by a production assistants' dispute. The only independent television coverage was on news bulletin.

Normal service from the Press Association national news agency was also halted yesterday because of a dispute over payments for Jubilee Day. Some reporters arrived for work and attended Jubilee events but the agency was unable to transmit their material because of a total stoppage by teleprinter operators, members of the National Graphical Association.

A Jubilee dispute is expected to disrupt Express Dairy milk deliveries in London, Hertfordshire and Surrey to-day.



## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are usually for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

MONDAY, JUNE 6

DIVIDEND & INTEREST PAYMENTS—
Cadbury Schweppes Ln. 4½pc
Freemans (London S.W.9) 3.1211p
Glynwed Db. 3¼pc
Ladbroke Lns. 4 and 4pc (with warrant attached)
Mallinson (William) and Denny Mott Db. 4½pc
Metal Closures Db. 3¼pc
Morrison (Wm.) Supermarkets 2.02p
Newhome-Veritas Db. 4½pc
Thetford 9pcBds. Red. 30/11/77 4½pc
Whitbread Db. 1½pc

TUESDAY, JUNE 7

DIVIDEND & INTEREST PAYMENTS—
Berger Jenson and Nicholson Db. 4pc
North British Canadian Investments 0½p

TO-DAY

COMPANY MEETINGS—
Clarke Chapman, Gateshead, 3
Clarke (Clement), Mandeville Hotel, Mandeville Place, W., 12
Continental Union Trust, Winchester House, E.C., 12.45
Gibbons (Stanley), Waldorf Hotel, W.C., 11
House of Lerose, Birmingham, 11
Jessel Toynbee, 30, Cornhill, E.C., 3.30
Telephone Rentals, Milton Keynes, Bucks., 12
United Newspapers, 23-27, Tudor Street, E.C., 12
Wadham Stringer, Hayling Island, Hants., 12

BOARD MEETINGS—
Finals:
Brown Shipley
Cullen's Stores
Doland (George)
Ecnity Consort Investment Trust
Eva Industries
Metal Box
M and G Second Dual Trust
Penler-Hattersley
Triefus
Warnford Investments
Interims:
Hanson Trust
McCorquodale
MOPC
Westland Aircraft

DIVIDEND & INTEREST PAYMENTS—
Babergh 12¼pcBds. Red. 8/6/77 £6.3264
Beaconsfield 12¼pcBds. Red. 8/6/77 £6.3264
Blaby 14pcBds. Red. 14/12/77 7pc
Brentwood 14pcBds. Red. 14/12/77 7pc
Castle Point 14pcBds. Red. 14/12/77 7pc
Cherwell 12¼pcBds. Red. 8/6/77 £6.3264
Chubb Lns. 4 and 4¼pc
Clayton Dewandre 4.076p
Cynon Valley 12¼pcBds. Red. 8/6/77 £6.3264
Daventry 14pcBds. Red. 14/12/77 7pc
Dudley 12¼pcBds. Red. 8/6/77 £6.3264. 14pcBds. Red. 14/12/77 7pc
Dundee 12¼pcBds. Red. 8/6/77 £6.3264
Erlaburgh 14pcBds. Red. 14/12/77 7pc
Enfield 12¼pcBds. Red. 8/6/77 £6.3264
Essex River Authority 8pcBds. Red. 8/6/77 £3.8685
Fareham 14pcBds. Red. 14/12/77 7pc
Ford International Capital Ln. 3½pc
Glasgow 12¼pcBds. Red. 8/6/77 £6.3284
Greater London 12¼pcBds. Red. 8/6/77 £6.3264
Greater Manchester Passenger Transport Executive 12¼pcBds. Red. 8/6/77 £6.3284
Grovebell 0.3p
Hampshire 14pcBds. Red. 14/12/77 7pc
Haringey 14pcBds. Red. 14/12/77 7pc
Hounslow 14pcBds. Red. 14/12/77 7pc
Leeds 14pcBds. Red. 14/12/77 7pc. 12¼pcBds. Red. 8/6/77 £6.3284
Leicester 14pcBds. Red. 14/12/77 7pc
Liverpool 12¼pcBds. Red. 8/6/77 £6.3284
Lliw Valley 14pcBds. Red. 14/12/77 7pc
London United Investments 1.88284p
Maidstone 14pcBds. Red. 14/12/77 7pc
Metal Closures 2.2725p
Mitchell Cotts 0.65625p
Newcastle upon Tyne 14pcBds. Red. 14/12/77 7pc
North Bedfordshire 14pcBds. Red. 14/12/77 7pc
North Cornwall 14pcBds. Red. 14/12/77 7pc
North Devon 12¼pcBds. Red. 8/6/77 £6.3264
Ogwr 14pcBds. Red. 14/12/77 7pc
Poole 14pcBds. Red. 14/12/77 7pc
Portsmouth 14pcBds. Red. 14/12/77 7pc
Reed International 5pcPf. 1.75p. 7pcPf. 2.45p. Lns. 2½ and 3½pc (Ped.1
Rhondda 12¼pcBds. Red. 8/6/77 £6.3264
Rhymney Valley 14pcBds. Red. 14/12/77 7pc
Richards and Wallington 2.58p
Rockware Db. 3½pc
Rugby 14pcBds. Red. 14/12/77 7pc
Sale Tilney 2.48378p
Salford 14pcBds. Red. 14/12/77 7pc
Sena Sugar Estates Db. 4½pc
Solihull 12¼pcBds. Red. 8/6/77 £6.3264
South Tyneside 14pcBds. Red. 14/12/77 7pc
Stag Furniture 2.6042p
Stockport 14pcBds. Red. 14/12/77 7pc
Strathclyde 14pcBds. Red. 14/12/77 7pc. 12¼pcBds. Red. 8/6/77 £6.3264
Suffolk 12¼pcBds. Red. 8/6/77 £6.3284
Tonbridge 12¼pcBds. Red. 8/6/77 £6.3284
Tern-Consulate 0.625p
Thamesdown 14pcBds. Red. 14/12/77 7pc
Thurrock 14pcBds. Red. 14/12/77 7pc. 12¼pcBds. Red. 8/6/77 £6.3284
Torfaen 14pcBds. Red. 14/12/77 7pc
Westminster 14pcBds. Red. 14/12/77 7pc
Wiltshire 12¼pcBds. Red. 8/6/77 £6.3264
Windsor and Maidenhead 14pcBds. Red. 14/12/77 7pc
Wirral 12¼pcBds. Red. 8/6/77 £6.3264

TO-MORROW

COMPANY MEETINGS—
Bulgin (A. F.), Barking, 3
Chersonese (F.M.S.) Estates, 10/15, Mincing Lane, E.C., 12
Ellis and Goldstein, Barrington House, Wood Street, E.C., 12
Gieves Group, 87, Eaton Place, S.W., 12
Laporte Industries, Winchester House, E.C., 12
Miller (F.) (Textiles), Glasgow, 12
Mowlem (John), Brentford, 11
Peninsular and Oriental Steam Navigation, Leadenhall Street, E.C., 12
Perry (Harold) Motors, Royal Automobile Club, 89, Pall Mall, S.W., 12
Randalls Group, Boreham Wood, Herts., 12
Reed (Austin), 18/21, Sackville Street, W., 12

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

FRIDAY, JUNE 10

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY, JUNE 11

DIVIDEND & INTEREST PAYMENTS—
[illegible]

# Businessman's Diary

## U.K. TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| Current | British Genius Exhibition (cl. Oct. 30) | Battersea Park, S.W.11 |
| June 12—16 | Self Service Display Equip. & Shopfitting Ex. | Nat. Exhbn. Centre, B'ham |
| June 13—17 | Fast Food Catering Equipment and Systems | U.S. Trade Center, W.1 |
| June 14—16 | International Print Fair | Cunard Intl. Hotel, W.6 |
| June 14—18 | Access Plant Show | Radlett, Herts. |
| June 20—24 | Int. Chemical Engineering Exhibition | Nat. Exhbn. Centre, B'ham |
| June 21—22 | Roll-on/Roll-off Methods in Marine Transport Ex. | London Hilton, W.1 |
| June 21—23 | EIA Engineering Exhibition | Metropole Centre, Brighton |
| June 21—23 | Thermal Acoustic, Vibration and Insulation Exbn. | Wembley Conf. Centre |
| June 21—24 | Royal Highland Show | Edinburgh |
| June 26—30 | Contract Furnishing Int. Des. Exbn. | Olympia |
| June 27—July 8 | London Guild of Weavers Exhibition | Royal Exchange, E.C.3 |
| July 1—Sept. 4 | Silver Jubilee Exhibition | Hyde Park, W.1 |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| | | |
|---|---|---|
| Current | Barcelona International Fair (cl. June 10) | Barcelona |
| Current | International Aeronautical Exhibition (cl. June 12) | Paris |
| Current | International Printing & Paper Fair (cl. June 16) | Dusseldorf |
| Current | Civil Eng'g & Constr. Site Equip. (cl. June 12) | Brussels |
| Current | Heating, Refr. & Air Cond. Exbn. (cl. June 11) | Paris |
| To-day | International Trade Fair (cl. June 15) | Tel Aviv |
| June 13—17 | Int. Hotel & Catering Exhibition | Johannesburg |
| June 20—25 | Int. Hydraulic and Compressed Air Exbn. | Paris |
| June 20—26 | Int. Environmental Protection Exhibition | Bilbao |
| July 1—10 | Int. Food and Machinery Exhibition | Sao Paulo |

## BUSINESS AND MANAGEMENT CONFERENCES

| | | |
|---|---|---|
| June 9 | The Henley Centre for Forecasting: Britain in the 1980s | Carlton Tower Hotel, S.W.1 |
| June 13—14 | AMR International: Strategic Corporate Planning | Hotel Intercontinental, W.1 |
| June 13—16 | Association of Certified Accountants: Effective Internal Auditing | Hotel Russell, W.C.1 |
| June 14 | Inst. of Purchasing and Supply: Profit from So-called Waste | Regent Centre Htl., W.1 |
| June 14—15 | University of Manchester Institute of Science and Technology: Productivity | Manchester |
| June 15 | Economic Models: International Forecasts for Europe, U.S. and Japan | 30, Old Queen St., S.W.1 |
| June 15 | Imperial College: International Finance | Exhibition Road, S.W.7 |
| June 15—17 | Bradford University: Social Forecasting for Business Planning | Heston Mount, Bradford |
| June 16 | European Study Conferences: Reducing the Cost of Business Travel | Kensington Palace Hotel |
| June 16—17 | Industrial Behaviour Advisers: New Directions in Work Motivation & the Influence of Bullock | Waldorf Hotel, W.C.2 |
| June 20 | InComTec: Law for Mobile Field, Sales, Overseas and Out Workers | Royal Garden Hotel, W.8 |
| June 20—24 | Roffey Park Management Centre: Interaction Analysis—Methods for use in Training | Horsham, Sussex |
| June 21 | Confederation of British Industry: Business Opportunities in China. Closing speech by Mrs. Margaret Thatcher MP | Quaglino's, S.W.1 |
| June 21 | P-E Consulting Group: Solving Problems by Simulation | Manchester |
| June 21 | Confederation of British Industry: Brazil—Workshop 1977 | 21, Tothill St., S.W.1 |
| June 21—24 | Brunel Univ.: Recent Developments in Economics | Uxbridge |
| June 22 | Confederation of British Industry: Korea—The Ten Billion Dollar Market | 21, Tothill St., S.W.1 |

# World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on June 3, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (ex/C) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

| Place and Local Unit | | Value of £ Sterling | Place and Local Unit | | Value of £ Sterling | Place and Local Unit | | Value of £ Sterling |
|---|---|---|---|---|---|---|---|---|
| Afars & Issas | Djibouti Franc | 290 (sg) | Germany West | Deutschemark | 4.05 | Paraguay | Guarani | 214 |
| Afghanistan | Afghani | 80 (A) | Ghana (S) | Cedi | 1.9852 | P'pl's D. Rp. of Yemen (S) | S. Yemen Dinar | (A) [illegible] |
| Albania | Lek | [illegible] | Gibraltar (K) | Gibraltar £ | 1.00 | Peru | Sol | [illegible] |
| Algeria | Dinar | 7.15 | Gilbert Is. | Aust. Dollar | 1.5644 | | | |
| Andorra | French Franc | 8.50 | Greece | Drachma | 65.4985 | Philippines | Ph. Peso | 12.718 |
| [illegible] | | | | | | | | |
| Faro Is. | Danish Krone | 10.34 | N. Zealand (S) | N.Z. Dollar | 1.7865 | Venezuela | Bolivar | 7.37 |
| Fiji Is. (S) | Fiji $ | 1.5815 | Nicaragua | Cordoba | 12.06 | Vietnam (Nth) | Dong | (O) 4.575 / (T) n.a. |
| Finland | Markka | 7.00 | Niger Rp. | C.F.A. Franc | 425 | | | |
| France | French Franc | 8.50 | Nigeria (S) | Naira | 1.137055 (sg) | | | |
| Fr. C'tyin Af♦ | C.F.A. Franc | 425 | Norway | Nrwg. Krone | 9.01½ | Vietnam (Sth) | Piastre | [illegible] |
| Fr. Guiana | Local Franc | 8.50 | Oman Sultanate of (S) | Rial Omani | 0.592 | Virgin Is. U.S. | U.S. Dollar | 1.71 |
| Fr. Pac. Is. | C.F.P. Franc | 154.56 | | | | Western Samoa (S) | Samoan Tala | [illegible] |
| Gabon | C.F.A. Franc | 425 | Pakistan | Pakst. Rupee | 15.75 (sg) | Yemen | Ryal | [illegible] |
| Gambia (S) | Dalasi | 4 | Panama | Balboa | 1.7179 | Yugoslavia | New Y Dinar | [illegible] |
| Germany (East) | Ostmark | 4.05 | Papua N.G. (S) | Kina | 1.382 | Zaire Rp. | Zaire | 1.47 |
| | | | | | | Zambia | Kwacha | 1.36 |

♦ That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
♦♦ Rupees per pound. Tourists visiting Sri Lanka receive a premium of 80 cents per cent.
♣ The Ouguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency.
(x) General rates of oil and iron exports 72.1476.
(g) The Mongolian tugrik has lately been reported to stand at an official commercial rate of 0.225 Russian roubles, the North Vietnamese dong at 0.306 roubles and the North Korean won at 0.7493 roubles. With the pound standing at 1.25 roubles the following relationships could be calculated for the pound: £=5.48 tugriks, £=4.10 dongs, £=1.695 won.
* Rate is the Transfer market (controlled).
** Rate is now based on 2 Barbados $ to the dollar.
‡ Now one official rate.
‡‡ Two-tier system introduced April 28. Rate is for exports, non-essential imports and tourism. Rate for essential imports 1.5460.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PUBLISHING

## Film of the book

REVOLUTION IS probably a mild word to use to qualify what could happen in the publishing industry if ideas being promoted by Kenneth Mason Publications come to fruition.

The company has patented an electronic portable book, only the size of an average paperback which is, in effect, a portable microfilm reader.

It transforms information on 16 mm. film into a readable display which does not require a conventional screen or light system. Instead, it relies for the reproduction of the text on what the company calls an electrophoretic screen. In this thin film semiconductors on glass panels form an address register connected to rows and columns of a matrix.

There is some analogy with the way letters are formed in a liquid crystal. However, the medium in which the symbols are created is a heavy, dark liquid containing particles of titanium oxide. These are influenced by the fields set up and migrate to the front of the glass retaining sandwich to form white characters on a black background; and the inverse on the other side of the sandwich.

The book, captured on 16 mm. film, would be projected page by page at whatever speed the reader selects. The image will persist for as much as 24 hours if required.

Estimated cost of the electrophoretic reader would be about £10, but each film book would be only a few pence.

It is anticipated that a prototype would take about six months to build and thereafter, speed of commercial production will depend on the industrial support received.

More from Kenneth Mason Publications, 13-14, Homewell, Havant PO9 1EE. Havant 6362.

● SECURITY

## Controls the doors

UNAUTHORISED opening of doors can be prevented by a virtually tamper-proof device introduced by Herbert Controls and Instruments.

It is essentially a pair of miniature reed switches housed in a tough plastics cover and encapsulated on to a metal face plate. Sunk into the wooden door jamb the device, called Securilock, operates in conjunction with a magnet sunk into the edge of the door at a pre-determined distance. Properly installed, both items should be invisible when the door is closed.

With the door shut the magnet keeps one of the reeds closed, maintaining a circuit. But if the door is opened with the alarm circuit switched on, the reed opens and the alarm is raised.

Tampering from outside with another magnet is not possible. In this case the second reed would be closed which would also alert the system. In addition, anyone trying an "inside" job on the device by fixing a magnet to the side of the lock before the system is switched on, would also be foiled: internal magnetic shunting again ensures that the first reed is unaffected while the second is closed. (More on 04626 3841).

● POWER

## Diesel-powered generators

DALE ELECTRIC is to be the first U.K. manufacturer to offer generating sets powered by M.T.U. diesels as a standard range. Code-named "Eagle," the new sets increase Dale capability by 100 per cent.

Outputs extend from 400kVA to 5170kVA using M.T.U. 396, 652, 956 and 1163 series engines. High voltage sets are available above 2000 kVA, operating at 3.3/6.6/11 kV. 50Hz and 4.16/12.8 kV, 60Hz. To meet all requirements three output ratings are available for each engine; prime power continuous rating for base load operation, standby rating for one hour in any six, and maximum power rating with no overload capability.

M.T.U. (Motoren-und-Turbinen Union) engines have small dimensions and weight.

Dale at Electricity Buildings, Filey, Yorks. YO14 9PJ.

## Expansion no problem

SOME TWELVE months of evaluation lie behind the choice of Texas Instruments by Geest Computer Services as its OEM partner in Geest Minicomputer Systems.

The latter is to develop and market small business systems built around the TI 990/10 processor. This is a remarkably powerful unit and it is allowing Geest to offer as a package the processor with a 150 ch/sec matrix printer, display, and two 3.1 Megabytes discs. But without changing the processor or the operating system, the system can be grown to run with 2 Megabytes of store and a number of 80 Megabyte discs.

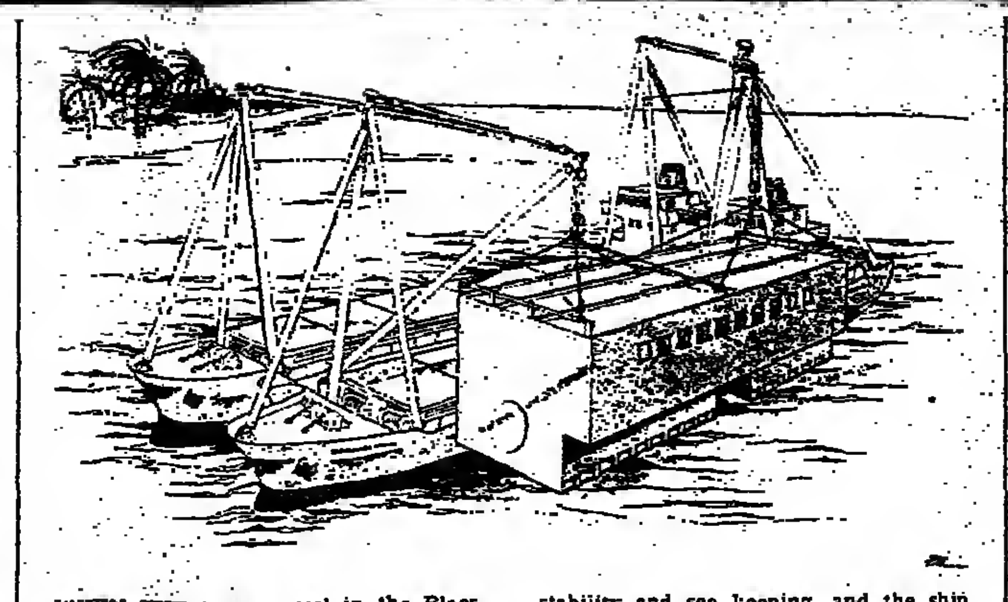
Geest sees this as one of the most important factors for success with its venture since so many problems are caused by equipment and system changes intended to meet user company growth.

Software for the Geest systems will be written in Cobol and the company will draw on 13 years' experience of using this business language in a commercial bureau environment.

A first order for System G-10s has come from the Francis Nicholls Group, fresh fruit and vegetable wholesalers. Firm orders have been placed for three pilot installations which will go into branches to meet accounting and management information requirements.

The Geest organisation, to which the services company belongs, is one of the biggest private companies in the U.K. with a yearly turnover of over £170m.

More from Geest Minicomputer Systems on 021 643 4743.



WHEN THE latest vessel in the Blaesbjerg fleet of heavy lift ships starts operations early next year she will have a lifting capacity of 1,200 tons, said to be the highest rating in the world for a ship using its own derricks.

This vessel, as yet unnamed, is remarkable in other ways—she is a catamaran, of a type specially developed by the company. The twin hulls are comprised of two existing sister container carrier ships, the "Sligo" and the "Kerry." The overall beam will be 108 feet, which is the maximum if the ship is to use the Panama Canal. Ideally, the overall breadth should have been 180 feet, when the added distance between the hulls would have meant no drop in operating speed.

Because of the design of the connecting sections the loss of speed (compared with a comparable single hull) is only 0.9 knot. This high performance has been achieved by adding a bulbous bow to the new deck section, and by connecting the vessel fore and aft by two hydrofoil sections below the water line.

Extensive computer studies, and tank trials of models at the Danish Ship Research Laboratory, in Copenhagen, indicate that this design improves stability and sea keeping. and the ship can continue on voyage even in 50 feet waves.

The centre deck is also fitted with a stern ramp so that the vessel can be used for roll-on/roll-off operations. If the ship is not being used to carry her maximum heavy lift loads of two 1,200 ton items (either thwartships or fore-and-aft) she can take 250 ISO 20 feet containers.

Used for ordinary cargo, the deadweight tonnage is 2,500. The vessel has two hatches, one in each hull, with a weather deck opening of 146 feet 3 inches x 34 feet 8 inches.

Built to Bureau Veritas classification, work on the catamaran should commence shortly, probably in a German yard. She will have a cruising range of 13,500 miles, and a speed of 11 knots.

Heavy lifts are carried out by two derricks, each with a capacity of 600 tons. Maximum outreach from the shipside is 30 feet.

The new ship, which will join a fleet of 11 heavy lift vessels (capacities from 100 to 500 tons), represents an investment of about $8m., which will be raised from the company's own resources.

More details from Blaesbjerg (U.K.), 3 Queen Anne Mews, Chandos Street, London W1M 9DF (01-323 1561).

TONY FRANCE

● AVIATION

## Control of jet fuel

TESTING OF a new digital fuel control system, developed by Marconi-Elliott Avionics for application on several types of helicopter jet engines, is to be carried out under a new contract awarded by MoD (Procurement Executive).

The computerised unit, designed and built by Marconi-Elliott's Power-plant Systems Division, Rochester, will improve operational safety and reduce the helicopter pilot's workload. A "breadboard" system will be tested this year by the Rolls-Royce small engine division at the Hatfield test centre, using a Gnome 1200 engine and the Wessex "rotor tower," a twin-engine helicopter test rig.

Incorporating a small digital processor, the controller is for new and up-rated versions of helicopter engines, such as the Rolls-Royce Gem and has been designed for mounting on the engine itself. Marconi-Elliott worked closely with Rolls-Royce in preparing the specification for the system and built the breadboard unit for testing, which has already been carried out at Rochester using an electronically-simulated engine.

Now the system will undergo tests with Gnome engines, which are ideal for the purpose because they already have an (analogue) electronic control of known performance.

More from the company on 0634 44400.

● TEXTILES

## Production of waste avoided

AS IN ALMOST every industry, the textile trade generates waste at virtually every production step. In yarn spinning there is an inevitable production of a proportion of waste, even if this is only what remains on a yarn package after weaving, knitting or carpet making. The yarns may be spun or filament and often they include, or are, thermoplastic man-made fibres. Traditionally these waste yarns are reprocessed and re-used and, over recent years a great deal of competition in the supply of processing machinery has been offered to British machine builders by foreign competitors, particularly the French.

Now, a new high production fibre opening machine has been developed in Yorkshire. It not only matches and surpasses much of the overseas competition, but in practice, has been shown not to suffer from the problem of generating "fused fibres" which is a problem with high speed (high friction means generated heat) machines running on meltable stock.

The new machine (the FP1) is compact (only 1 metre working width), but, depending upon the material with which it is fed, also can reconvert fibrous stock at speeds giving production rates from 300 to 800 lbs/hr. It will operate on such extremely difficult raw materials as undrawn synthetic filament yarns and, to a lesser extent, clippings of such fabrics as the double knit textured polyesters can be opened.

The company building it is Garnett-Bywater (Stone St., Cleckheaton, BD19 5EE, Tel.: 0274 875741). It stresses, however that the FP1 should not be considered as a rag puller.

At the feed end there is a magnetic field metal detector which ensures that no metal can enter the machine and cause damage and, unlike other opening machines, the FP1 starts its processing with fine pinning of the rollers, graduating stage by stage to the coarsest pitch at the delivery end.

In this way, almost all spun yarns have been opened without appreciably shortening fibre length and the product is at once ready for the next stage of processing such as carding. Initially the machine will operate at a single speed, but it is planned to add a variable drive to the first two rollers to accommodate different types of waste and Garnett-Bywater is also looking into the possibility of building a larger machine.

● HAND TOOLS

## Two heads are better

OF interest to any company wiring up pins and tags on a production basis is a double headed soldering iron designed in Sweden (initially for the Swedish Ericsson company) and made under licence by Tele-Production Tools, Electric Avenue, Westcliff-on-Sea, Essex SS0 9NW (0702 352719).

Called the Stirso 2X9 it has two heated heads, one fixed and the other pivoted to give a pincer-like action.

It is thus able in virtually one operation, to strip insulation from equipment wires, bind the conductor around the post or tag and solder it.

According to the company, quoting figures from a PERA report, it is possible to make 2,300 joints/hour. The double head gives rapid heating of the joint from two sides and since the heads are angled the user has good visibility of the joint; the balance of the tool is good—important for continuous one-handed use.

Elements can be rated at 75 or 100 watts and the range of heads includes a type that will accept solder on one side only, avoiding possible effects on adjacent joints from accidental contact.

● HANDLING

## Feeds and weighs

OFFERING A faster throughput and greater accuracy than conventional weighers, a high-speed bowl feeding, counting and check weighing machine has been launched by Gough and Co. (Hanley), Clough Street, Hanley, Stoke on Trent, Staffs. ST1 4AP (0782 24401).

The system comprises a vibratory bowl which provides single line presentation of small items (in a given position if required) for processing or packing on automatic machinery which would normally be fed from a bulk source.

Its suspension system allows progression speeds of up to 2,000 to/min for some products. The unit can be used in industries, such as confectionery manufacture, where high cost products must be accurately weighed, and where overweight packs are often made up to avoid legal problems.

The machine will feed rapidly for a specified amount, then slowly for the last two or three items during which the pack is check weighed. The unit has a four-digit display head.

● MATERIALS

## Quenches fierce fires

FIRE-FIGHTING equipment manufacturer Angus Fire Armour (Dunlop group) has introduced a new fluorochemical foam for fast flame extinction and rapid rescue in accident situations.

Tridol 6, incorporates fluorochemical surface acting agents which produce foam having a positive spreading action over burning fuels to give rapid foam cover and fire control at low application rates. It is ideal for aircraft crash fires and those situations where rapid fire attack and control are essential to save life or prevent major escalation.

Tridol 6 may be used simultaneously with other foam concentrates and can be used with fresh water or sea water as a five to six per cent solution. Its film-forming properties allow it to be introduced into existing water-spray or sprinkler systems giving a greatly increased capability against flammable liquid fires. It is an ideal fixed protection system for loading bays and other localised risk areas.

Angus is at Thame OXP 3RQ, Oxfordshire. Thame 4545.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● INSTRUMENTS

## Voltages digitised

COMPLETELY self-contained units from Computer Instrumentation are able to multiplex 16 analogue input channels and deliver a 12-bit parallel digital output in TTL compatible logic form.

They can, however, be expanded from this basic form to accept 4096 inputs. Mains operated, they can be supplied for 19-inch rack mounting or in free-standing form.

There are three models designated 4013 A, B and C, operating at throughput rates of 30, 50 and 100 kHz respectively.

Basic full scale analogue voltage input level is 10 volts, but the model A is fitted with an additional amplifier with selectable gain of unity, 10, 100, 500 or 1,000, giving an allowable full scale input voltage down to 10 mV if desired.

These sub-systems are designed mainly for incorporation into CIL mini- or micro-computer systems but the simple interfacing makes them easily connectable to other manufacturers' machines. More from the company at School Lane, Chandler's Ford, Hampshire, SO5 3YY (04215 66321).

## Tests most receivers

COVERING the spectrum 10kHz-120MHz with a very accurate, high level output an am/fm signal generator by Marconi Instruments is suitable for production and maintenance testing of many kinds of receivers and will be of particular value for military and broadcasting applications, as well as being a general laboratory instrument.

Combining TF2016 with a newly-developed digital synchronizer (TF2173), produces a synthesized signal generator. This gives frequency accuracy and long-term stability of ±1 part in 1m. while retaining full f.m. and a.m. facilities.

Careful mechanical design has resulted in a low leakage instrument which is both compact and lightweight. This, together with ability to operate from 24V as well as mains supplies, makes TF2016 particularly suitable for field servicing.

Marconi Instruments, Longacres, St. Albans AL4 0JN. St. Albans 59292.



## Balance has a brain

BY using microprocessor technique in its latest range of balances, Sartorius Instruments has built in the ability to perform several kinds of calculation associated with weighing.

The Series 3700 instruments can be provided with six programs covering most normal needs. For example, the balance automatically determines net weights by deducting tare weights. For quality control purposes it is also possible to see if a weighed item is above or below a reference value previously entered via the keyboard and by how much.

The scales can also be set for filling a container: the nominal weight to fill is entered and the "amount to go" is shown with a minus sign, becoming zero when the container is filled. It is also possible to perform proportional weighing: all that is required is the approximate weight of the first component and the exact weight of the second is determined by the machine. The balance will also perform counting of items of their weight and will determine the average weight of a number of items. More from 18, Avenue Road, Belmont, Surrey (01-642 8691).

● COMPONENTS

## Hydrostatic drives

BASED ON a new series of axial piston pumps and motors, the first units available in the new Trimline series of hydrostatic transmissions from Abex Denison have a maximum power output of 230 hp at 3000 rpm.

Built in the U.S. (manufacture will be at the company's French plant as European demand rises) the units operate at a maximum pressure of 5000 psi. They are intended for applications in the road construction plant, marine engineering, constant tension drives, and general industrial hydraulic control.

Total weight of each unit is about 240 lbs, and the transmission is stated to be both lighter and more compact than competitive equipment.

The company's U.K. office is at Victoria Gardens, Burgess Hill, Sussex RH15 9ND (04446 5...).

● OFFICE EQUIPMENT

## Fast and compact

ZIP 30 is a teletypewriter with 30 character/sec operation and a built-in paper tape punch and reader, with overall control by microcomputer.

Developed by Periferic SARL in France, a subsidiary of Data Dynamics, it is offered by the latter's subsidiary in Springfield Road, Hayes, Middx. (01-848 9781).

Employing a seven-needle print head, it prints the full upper case ASCII set in 7 x 5 format, with lower case available as an option. An original and up to three copies can be made and the machine uses a ribbon that minimises head wear to give long life and provide good black printing.

ZIP 30 is also a direct plug-in replacement for the Teletype 33 and employs standard Teletype roll paper. The speed, however, is claimed to be four times as fast.

English or Continental keyboards are offered and the standard interface is CCITT V24 or 20 mA current loop. The paper tape unit can be operated by signals from the line if desired.

## Collator is an add-on

IBM's Office Products Division has introduced a collator which can be added to the company's Copier II so that multi-page documents can be produced and assembled with ease.

Documents up to 20 pages in length can be handled and up to ten copies of each produced at a time without operator intervention.

This unit adds 23 centimetres to the length of the copier, can be plant-installed for new customer orders or installed in the field for existing customers.

# Building and Civil Engineering

## £22½m. airport extension

THE CIVIL airport at Abha in southern Saudi Arabia is to be enlarged under a £22½m. contract awarded to Laing Wimpey Alireza by the Saudi Ministry of Defence and Aviation.

This contract follows LWA's completion of its contract for the first phase of the new airport which was started early in 1975.

A large part of the job will be civil engineering works valued at £17m. to provide a 300 metre extension of the main runway, construction of 3,500 metres of taxiway and high speed turn-off and a concrete blast pad. Drainage, lighting and markings are also to be supplied.

The rest of the contract will involve building works costing £5½m. New buildings will include housing for a radio transmitter station and a maintenance building for Saudi Arabian Airlines. The present power station is to be extended and two 500 kVA generators installed.

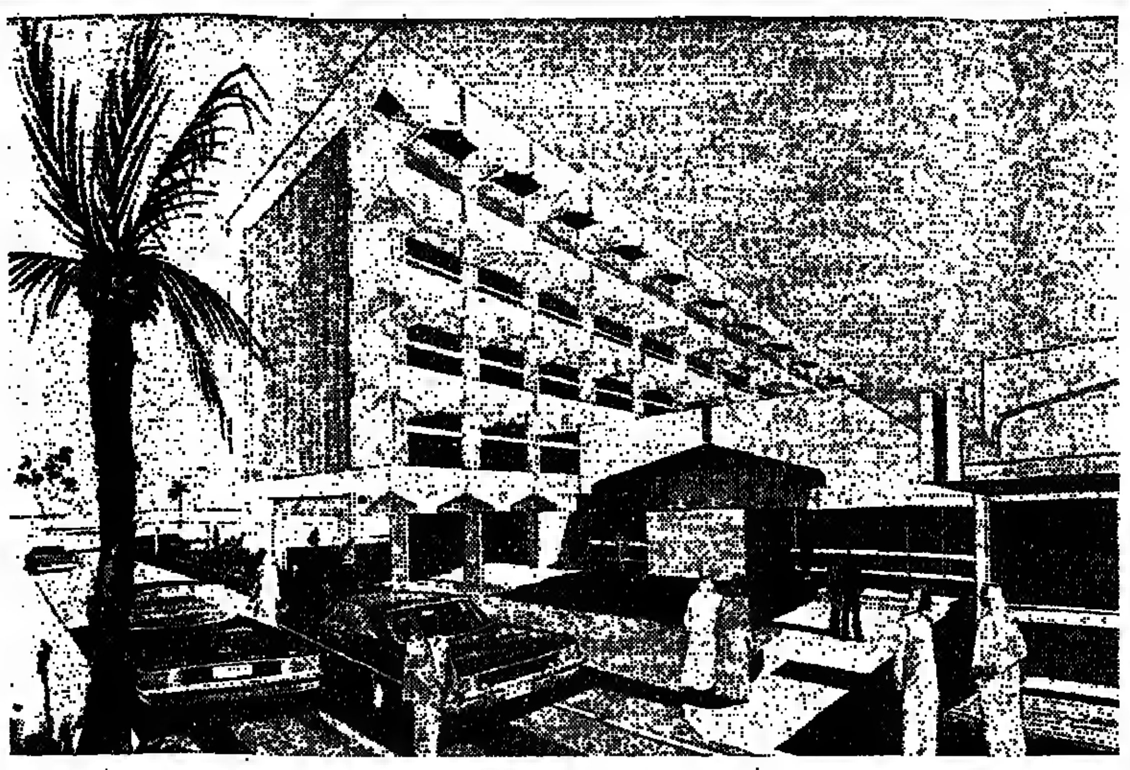
Lesser, but nevertheless important tasks, will be the installation of security floodlighting, extension of water supplies and treatment plant and boring of two deep water wells.

Consulting engineers for this project are Netherlands Airport Consultants of The Hague. LWA is a joint venture of John Laing Construction, George Wimpey and Haji Abdullah Alireza and Company.

A CONTRACT worth about £4.7m. has been awarded to Bernard Sunley and Sons by the Engineering Services Department of the Qatar Government for radio studios in Qatar.

The contract includes a five-storey office building, a service block and a covered car park and Sunley is to complete it in 21 months.

Architects are International Broadcasting Consultants, structural engineers are White Young and Partners and the quantity surveyors are D. G. Jones, McCoach and Partners.



## Hospital training centre

LAIRD and Weston has won contracts totalling over £2m.

For the Nuffield Nursing Home Trust the company is to build a 33-bed private hospital at a cost of £1m. at Clayton Road, Newcastle under Lyme. In the meantime it has begun work on a new training centre for the National Coal Board at Bretby, near Burton-on-Trent. This contract is worth £1.1m.

## Fairclough kept busy

IN THE £3m. worth of new awards to Fairclough Building (Fairclough Construction Group), the largest is a £1m. contract won by competitive tender for local authority housing at Salford. Architects are the Northwest Building Agency and Fairclough Design.

The runner up is a job worth £1m. which will cover the construction of a police headquarters at Grays for the Essex County Council.

Other work includes a £450,000 telephone exchange at Southwick, Sunderland; first-phase modernisation (£300,000) of flats for the Scottish Special Housing Association as part of the Glasgow East area redevelopment project and a store refurbishment project for Tesco at Runcorn to cost £100,000.

An unusual and interesting contract, worth £½m., is for the conversion of a building originally used to house light industry into a library unit for the National Library for the Blind at Bredbury, near Stockport, Cheshire.

The work will be carried out by the company's Swinton-based north-western division and the building will eventually house some 400,000 books, mostly in Braille, for distribution all over the world and it will have one of the biggest mobile shelving systems so far set up in Europe. Architects are the Building Design Partnership.

## £3m. awards to G. T. Crouch

HOUSING contracts approaching £3m. in value have been awarded to G. T. Crouch.

The biggest is worth over £1m. and is in connection with the Bewbush Development at Crawley, Sussex, where the company is already engaged in housing work. The latest contract awarded by Crawley Borough Council is for 275 houses.

On June 13, Crouch is due to start construction of 16 timber frame dwellings at the Manor House site, Tongham, Surrey, for Guildford Borough Council (£348,612) and the company has won a third contract from the Borough of Reigate and Banstead for 12 flats in Doods Road, Reigate, Surrey (£111,592).

## Last stage of viaduct modifications

WORK ON the third and final phase of modifications to the double deck Tinsley Viaduct (M1), Sheffield has been started by the Cleveland Bridge and Engineering Company. This stage, says the company, involves fabrication, protective treatment and erection of elements which are external to the existing box girder structure.

The structural steelwork element cost is expected to be in the region of £2.1m. and the contract will take about 2½ years to complete.

At each of the 17 viaduct piers there are to be four new cross box members (two upper deck and two lower deck), which will provide additional support in each span to the four main longitudinal box girders, through special brackets to be attached in the inner webs of these longitudinal boxes.

Each new upper deck cross box will in turn be supported by a pair of raking, box-section struts, running from the bottom bearings of the existing columns, through slots which will be cut through the lower deck reinforced concrete slab, to special roller bearings below the new upper cross box.

The top ends of the pairs of raking struts on each side of each column will be tied in position by two groups of Macalloy bars passing immediately below the existing upper deck cross-box. By jacking loads into these tendons the existing dead load stresses in the structure will be substantially relieved. The new steelwork will also carry part of vehicle loadings direct to the foundations.

Each new lower deck cross box is to be carried by two steel hangers from the upper ends of one pair of raking struts. The hangers will be pin jointed at each end and will pass through further openings cut in the lower deck reinforced concrete slab.

The new structural members will be so positioned that the width of and clearance heights above the lower deck carriageways and service road remain unaltered.

Total weight of new steelwork, roller bearings, Macalloy bars and fittings will be about 2,500 tonnes. The contract also includes protective treatment of the whole viaduct structure, waterproofing and associated surfacing on the lower deck together with modifications to the existing deck drainage and electrical installations. Consulting Engineers Freeman Fox and Partners.

## Airport job for Tarmac

RESURFACING work at Sharjah International Airport is to be carried out by Tarmac under a £1½m. contract awarded by Hassaheb Civil Engineering of Dubai.

A total of 120,000 tons of asphalt will be laid during the eight months needed to surface additional aprons and taxi-ways. Sharjah International Airport was opened earlier this year after Tarmac had completed a £..m. job to surface the runways and taxi-ways.

## Big hospital award

FIRST phase of a massive hospital contract awarded by the Yorkshire Regional Health Authority is worth £11.7m. and will be undertaken as a joint venture by Shepherd Construction and Haden Young.

It is the new General Infirmary project in Leeds and is being built by this team, which was formed to set up the general station complex serving the general infirmary and medical and dental schools. Shepherd will deal with the general building works and Haden Young with the whole of the electrical and mechanical engineering installations.

Building Design Partnership has provided design support, covering architectural, quantity surveying and engineering services.

Phase 1 will take five years to complete and is now in train with the main building a four-storey block 123 metres long by 109 wide and having a large inner courtyard.

The main structure is steel-framed with deep lattice girders and composite precast concrete and hollow pot floors forming service voids for mechanical services between each floor.

Extensive mechanical services include air conditioning, ventilation and heating, hot and cold water, compressed air and vacuum, piped medical gases etc.

## Recognises the marked vehicles

ADVANCED toll equipment for the Humber Bridge will have 16 collection booths each equipped with a microprocessor to calculate tolls and control transactions and signals.

The micros will maintain continuous communication with a central data processor and provide monitoring signals to a supervision position in the control room. The central processor instructs visual displays at monitoring positions and prints out statistical and transaction records.

Specified by Freeman Fox and Partners the system will provide for the subsequent addition of coin collection of tolls and automatic vehicle identification for the registration of vehicles and fitted with passive transponders. The latter arrangement will allow non-stop flow through chosen lanes while the tolls that are due are automatically accounted to private or fleet users. The contract for the installation has been let to the Plessey Co.

The specification has been compiled on the basis of the experience gained by Freeman Fox with equipment they specified for the Erskine Bridge, Hong Kong Cross-Harbour Road Tunnel and the Bosporus Bridge.

The Humber Bridge is a suspension bridge with a main span of 1,410m. which will be the longest in the world when it is completed in 1979.

Information from Dr. D. Fisher on 01 930 5055.



## Structurals honour Oleg Kerensky

HIGHEST and rarely awarded distinction of the Institution of Structural Engineers, the Gold Medal, is to be presented later this year to Dr. Oleg Kerensky who was, until his retirement two years ago, a partner in Freeman Fox, the London consulting engineers.

This award has been made only 14 times in the 55 years since its inception and recognises Dr. Kerensky's pre-eminence in bridge design and construction technology.

In another exceptional move, the Institution has decided to make a Silver Jubilee award to the consulting engineers responsible for the design of the engineering works at the National Theatre—Flint and Neill.

Two special awards go to Sir Robert McAlpine and Sons and Ove Arup and Partners.

The McAlpine citation is for work on and construction of the first concrete gravity platform for North Sea work to be built in Britain. Ove Arup's citation is for the consultancy's work on the controversial Georges Pompidou Centre in Paris.

● Anglian Building Products has negotiated a £¼m. contract with Foster Wheeler for the supply of precast concrete pipe supports and jacking beams for the terminal being constructed by BP at Sullom Voe.

## Concrete Society Awards

THE Concrete Society Awards for 1976 go to two works, one each in the Building and Civil Engineering categories.

Not surprising, the building award goes to Sir Denys Lasdun's National Theatre. Flint and Neill were the engineers and the building was erected by Sir Robert McAlpine & Sons. The civil engineering award is made to the Gas treatment and Production Platform No. 1, Frigg Gas Field, designed and constructed by Sir Robert McAlpine & Sons and the Sea Tank Company, Paris.

The judges were Dr W. Eastwood, BEng PhD FICE FIStructE FGS, President of the Institution of Structural Engineers, Sir Philip Powell, OBE ARA RIBA AADiplom, representing the President of the Royal Institute of British Architects and Mr. John Turner, President of the Concrete Society. In addition to the two winners, the judges selected one project for High Commendation, one for Commendation and one for Special Mention.

This is the tenth year in which the competition has been held and over 40 entries were submitted.

The judges said that the Concrete Society award gives the opportunity to recognise excellence in the use of concrete and while they had complete freedom to make their assessments it was right to mention the criteria which were taken into account. These were: functional suitability; appearance and harmony with the surroundings; design in relation to the properties of concrete and ease of construction; workmanship; integration of any services; and value for money.

The following works were highly commended:

**GRETA BRIDGE, A66 KESWICK NORTHERN BY-PASS**

| | | |
|---|---|---|
| Consulting Engineer | : | Scott Wilson Kirkpatrick & Ptnrs. |
| Contractor | : | Tarmac Construction |
| Built for | : | Dept. of Transport, North West Road, Construction Unit |

**MERCHANT NAVY COLLEGE, GREENHITHE, KENT**

| | | |
|---|---|---|
| Architect | : | Sir Roger Walters, KBE FRIBA FIStructE, Architect to the G.L.C. and Controller of Construction Services |
| Consulting Engineer | : | Andrews, Kent and Stone |
| Contractor | : | Willett |
| Built for | : | Inner London Education Authority |

**SALTERS' HALL, LONDON**

| | | |
|---|---|---|
| Architect | : | John S. Bonnington Partnership |
| Consulting Engineer | : | Oscar Faber and Partners |
| Contractor | : | Ashby and Horner |
| Built for | : | The Salters' Company |

H. A. N. BROCKMAN

## More work on the Metro

FOURTH contract in connection with the construction of the Tyne and Wear Metro has been won by John Mowlem. This time it is for bridges at Benton and Backworth.

Worth nearly £350,000, the contract involves reconstruction of the bridge which takes the Great Lime Road over the Metro near Benton and similar work on a bridge over the railway at Backworth station. A farm accommodation bridge on the Whitley Bay loop railway is also to be widened.

Over in Hampshire, Mowlem has just completed the new U.K. headquarters at Hook for Poclain, the French excavator manufacturer.

## Foundation work

THREE BIG piling jobs have just been started by West's Piling and Construction Co.

The largest is worth £400,000 and is for 2,300 piles at St. Fergus, Aberdeenshire for Shell U.K. Completion is due by June next year.

Under a £200,000 contract, West's Piling is to use shell piles in foundation work for two bridges, one carrying the Horndean-Redhampton section of the A3(M) over the main London-Portsmouth railway and the second carrying the new road at its junction with the M27. Installation of the 52n piles needed has already begun and is due for completion in August. Main contractor is Gleeson Civil Engineering.

The third contract, worth £150,000, is for 304 piles for foundations to a new bitumen tank at BP's Isle of Grain (Kent) refinery. This, too, is due for completion in August.

## Factories for Milton Keynes

SIX ADVANCE factory units are to be built in the Northfield area of Milton Keynes by Robert Marriott. The contract is worth nearly £2m.

Three semi-detached blocks will be constructed and each of the six single storey units will occupy 2,386 square metres. They are expected to be available for letting from March next year.

Milton Keynes Development Corporation now has 226 advance factory units either complete, under construction or in contract. More than 120 have now been let.

The Corporation says it has about 250 acres available for custom-built factories and that double this amount could be made available.

# The Management Page

EDITED BY CHRISTOPHER LORENZ

The thoughts of Peter Drucker have always fascinated managers. His latest European tour is followed by Nicholas Leslie.

# Prophet of paradox

NEVER have managers questioned so deeply what sort of leadership they should provide, and what it is that motivates them in their jobs, as in the last three recessionary years. In the U.K. a depressed economic climate, high inflation, pay restraint and high taxation have combined to make many managers unwilling to contribute anything more than the minimum effort. Nor have other European countries found themselves immune from management de-motivation. At the same time, changes in the social and economic environment have forced a re-examination in many countries of the responsibilities managers should have to shoulder, and how they should exercise authority.

How significant these changes really are and what top management should be doing about them have been the major topics of discussion at a series of forums during the last fortnight to which Peter Drucker, one of the best-known prophets of management theory for over 30 years, has trecked across Europe to be the main speaker. Much praised by some for the quality and perceptiveness of his ideas, but criticised by others for contributing little that is new, and for making pronouncements that seem obvious, Drucker discusses major issues in broad terms, often putting them into an historical context in an effort to provide perspective, rather than giving detailed solutions to problems.

This seems to be an extremely conscious part of the Drucker method: he tries to show top management the general concepts they need to solve their own difficulties, rather than doing it for them—an approach he encourages top managers themselves to use. They should not, he says, be answering all their subordinates' questions, but encouraging them to make their own decisions. Top management's job is to remove obstacles in the way of those below them who want to work, and to encourage them in the way they operate.

This approach sometimes provokes accusations that Drucker is superficial. At the Copenhagen forum, one member of the audience suggested that top management's task amounted to much more—not only innovating, but maintaining good relationships between companies and the environment, keeping clear of strikes, maintaining good relationships with shareholders and bankers, among other tasks. Drucker, however, while admitting that one could add to his list, argues for simplicity. "I was giving the minimum and I suggest you start with that."

Drucker remains a conservative theorist; this can leave him adrift from some of his audience, for example, on the relative importance of social and environmental demands on companies within the context of their total responsibility. But even among those who disagree with some of his views, one finds admiration for his ability to generate considerable depth of thought—and thinking is something which Drucker feels management should do a great deal more.

## Old fashioned

He is also a great believer in good old-fashioned virtues—for instance, he rejects the idea of there being qualities of natural leadership. Successful leadership arises, partly from external factors and largely from hard work and acceptance of responsibility, he argues.

If these virtues sound like the very qualities he rejects, it is a trait which comes through from Drucker time and again. A further illustration of this sort of paradox came at the Continental forums—in Copenhagen and in Brussels, both organised by Management Centre Europe—and at a British Institute of Management forum in London. Illustrating the type of financial objectives he felt companies should aim for and the measurements they should use to assess their success, he compared General Electric of the U.S. with Westinghouse, companies in similar lines of business but GE having much the better record. The difference between the two was "not good management but that General Electric gets twice as much out of each dollar as Westinghouse. In other words its productivity is twice as high." To some people, this would seem to be an ideal definition of good management.

Another irony is that Drucker is highly suspicious of charisma, yet be himself is an extremely charismatic figure, with a marked effect on those working with him and listening to him.

Industry's financial record leaves Drucker largely unimpressed. It should, he feels, be seeking a return on "all assets" and be looking for much higher returns on capital and employees to provide for the "cost of the future." To motivate employees in this task management should tell them how much each employee costs the company, including the capital investment behind each job, not just the salary. And he lays great stress on the view that management should spend more time not only on assessing where investment should be made, but on reviewing — on a three-year basis—the success or otherwise of earlier investment decisions. It should also look more closely at products which no longer provide adequate returns (or are unlikely to do so in the near future)—and, if necessary, decide to scrap them.

He considers that every company should have two objectives: to do twice the present volume of business without additional capital, and without additional employees. Many might say that this was impossible, but the best companies achieved it.

Picking up the theme at Copenhagen of top management's responsibility towards middle management, John Humble, a management consultant and author and director of Urwick Orr, maintained that it had failed in its task. Middle management had been left feeling it had responsibility without authority, and he suggested that a measure of the problem lay in the fact that they were no longer left to resolve local disputes since, among other things, top management was continually worried about precedents being set. Middle management often performed badly simply because that was how many now expected it to perform.

Placement of people in management positions was also very important, he thought, a view which he shared with Drucker. But while Drucker laid stress on the importance of choice and the recognition of management potential be maintained, at another point, that there was "no co-relation between potential and achievement."

Discussing the external forces which companies faced, Drucker dealt at length with the fact that successive generations were becoming much better educated that their aspirations in material terms were much greater—"in two generations we have changed from a society working from an early age to one where people are emerging with degrees in personnel relations who want to do anything but work"—so many businessmen had still to learn that the world economy determined the direction they should take.

Ashley Ashwood



# Lone voice which should be heard

BY MICHAEL LAFFERTY

MANY of those who make up the establishment of the British accountancy profession are displeased with Mr. Ian Hay Davison, the Arthur Andersen managing partner who dared to speak out in public about the crisis currently facing the profession.

Mr. Davison broke ranks by telling a conference of auditors in Brighton two weeks ago that the profession had dragged its feet on working out codified standards and disciplinary procedures for auditors. He charged the profession with failure to regulate itself and called for reforms based on legislation.

Such a man ought to know what he is talking about. He is, after all, a leading council member of the English Institute of Chartered Accountants and a member of the profession's Auditing Practices Committee. Even if he has become known over the years for his outspoken comments, it would be very foolish to dismiss what he has to say.

The accountancy profession is under attack as never before, both in Britain and the U.S. Here the attack has come in the wake of the fringe banking and property market collapse. The question on everyone's lips is: "Where were the auditors—why did they sign unqualified reports?"

The critics have been given ample ammunition by the flood of hard-hitting Department of Trade inspectors' reports last year. These criticised several auditors, including some of the largest and most reputable accounting firms, for a lack of toughness and character in dealing with clients. They were criticised for lack of independence, for incompetence, bad working papers and poor quality control procedures.

Enough—one would have thought—for the profession to realise that a credible public response was called for. Indeed, there is no reason why the problem could not largely have been anticipated. In the event, the profession's reaction was half-hearted and lacking in conviction. Codified audit standards were on the way, we were told, and a tougher attitude was being adopted to discipline.

## Disciplinary

Yet as time went by the accounting bodies could produce no outward evidence to convince the public that they had the situation under control. Matters reached a head last autumn when Mr. Edmund Dell, the Trade Secretary, lost patience and summoned the presidents of the English and Scottish Institutes of Chartered Accountants and the Association of Certified Accountants to a meeting. The question to which he was seeking an answer was whether the cases so far reported were merely the tip of an iceberg. But nobody really knew the answer.

One outcome of that meeting was the establishment of a semi-independent committee of inquiry under the chairmanship of Lord Cross of Chelsea to probe the investigatory and disciplinary powers of the accountancy bodies.

The Cross Committee has now almost finished taking evidence and its report could be in the hands of the accountancy bodies by August. What it will recommend has not yet been decided, but many accountants regard the sort of independent disciplinary tribunal suggested by Mr. Davison as the only acceptable conclusion.

Such a body, he said, would need power to compel witnesses, subpoena evidence and impose penalties, including withdrawal of an auditor's right to practise. In particular, it would need power to carry out investigations and to require the disclosure of evidence by auditors and others in advance of hearings. And before anything like that could be done legislation would be necessary.

On the auditing standards front, progress may also be hoped for this year. Indeed as many as eight noncontroversial draft standards—covering areas such as qualified and unqualified audit reports, the planning and control of an audit, and specific auditing areas such as debtor verification—are expected to see the light of day before the end of the year.

It seems a great pity that some of these proposals could not have been published earlier because they will probably require nothing more than what is fairly common practice.

This is a particular cause of regret because it means the U.K. is now one of the last major accounting countries to issue auditing standards. Such standards are already in existence in the U.S., Canada, Australia and even Germany.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

## A receiver's liability

A receiver has been put into one of my business customers, to which I delivered materials a few weeks before being advised of the receiver's appointment. These materials were not invoiced or charged, and the receiver is continuing to use them in manufacture. Not having gone through the customer's books, is there ground for regarding these materials as my property and should the receiver either allow me to take them back, or agree to pay for them?

The ownership of the materials will depend on your contract with the customer, but property in them may well have passed on delivery. However, if the materials were supplied after the receiver was appointed and not pursuant to an antecedent contract you may be able to make the receiver liable for payment. You should in that case write to the receiver claiming that there is a new contract under which he is personally liable to make payment for the goods.

## Accounting date change

On April 4 my company made a big profit. At present the company's year ends on October 7. Can it be altered by resolution to April 3, thereby giving the company an extra six months to pay the tax?

In principle, the answer is yes. There are certain practical difficulties in ending a company's accounting period on a Sunday, of course, but no doubt you have considered this point. More important, we should draw your attention to the restrictions on changing a company's reference period for its accounts, which have been introduced by sections 1 to 3 of the Companies Act 1976.

It would be prudent to consult the company's accountants before taking precipitate action.

## Company ceasing to trade

A private limited company will be ceasing to trade. Its only assets being about £60,000 tax paid reserves invested in quoted companies. From a tax angle should the company be liquidated, or kept in being to pay out income as dividends (less expenses about £200 p.a.)? Would tax payable on liquidation be income tax or capital gains tax? The company's accountants will be best placed to advise you, from their background knowledge of the shareholders and their respective shareholdings, etc.

It is likely that their advice will be to liquidate the company, especially if it is possible for advantage to be taken of the so-called retirement relief under paragraph 2 of schedule 10 to the Finance Act 1965. A question on the scope of this relief (as extended by extrastatutory practice) was in fact published in the Business Problems column on March 30 last.

Liquidation distributions attract capital gains tax in the shareholders' hands. The position is complex, however, and here again the company's accountants will be able to give guidance on the basis of the particular circumstances in question.

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.*

**Cheering visitors applaud the Queen's spectacular Silver Jubilee procession through the capital**



# Dr. Coggan hails an occasion of splendour and joy

Right ● A smile from the Queen and a wave from Prince Philip as they leave the Guildhall lunch for the return drive to Buckingham Palace.

(Picture by Leonard Burt)

Below ● A friendly word and the chance of a snapshot of a lifetime for these visitors as the Queen pauses during her City walk after the St. Paul's service.

Left ● A more serious moment as the Queen and Prince Philip kneel during the Thanksgiving Service.

Below right ● The Queen Mother, Prince Charles and Prince Andrew arrive for the Guildhall lunch.


# Queen's walk-about is triumph of glittering day

BY JAMES McDONALD

BRITAIN MAY have its economic problems but its traditional reputation for impeccably managed pageantry—"the great show"—was fully borne out yesterday during the Queen's Silver Jubilee procession through London.

Despite doubtful weather, millions of people—British and foreign tourists—turned out to line the route from Buckingham Palace to St. Paul's Catherdral and then thousands rushed to Cheapside, along which the Queen walked on her way to the Guildhall for lunch with Sir Robin Gillett, the Lord Mayor.

Many people had waited for over 36 hours to preserve good vantage points on the Royal route.

The colour of the occasion, despite the weather, was the most outstanding feature —the magnificent Windsor greys drawing the golden Coronation coach; the splendour of the uniforms of the troops lining the streets; the impressive Royal Canadian Mounted Police; and the Yeoman of the Guard.

London was ablaze with the red, white and blue of thousands of Union Jacks, draped from rooftops, flying from cars and buses and fluttering in the hands of thousands of excited children.

Along the processional route, there were great splashes of silver Jubilee bunting. It seemed that the capital was bowing its head to the Queen under the sheer weight of decoration.

## Long celebration

Stretched ahead of the coach and behind were seemingly unending detachments of soldiers in the traditional order of escort. Sombre moments at St. Paul's contrasted with the gaiety outside.

It was an occasion enjoyed by Londoners and overseas visitors alike. But it was only the start to a lengthy Jubilee celebration. About 6,000 street parties are being arranged this week in Greater London alone.

Even the weather, threatening at the start of the day, held off from 10 a.m. until mid-day. Then the rain broke after the Guildhall lunch.

Before then, however, the Queen had achieved her greatest triumph of the whole glittering day—her walk from St Paul's to the Guildhall along Cheapside, to the cheers of many thousands of Londoners from all walks of life. During the walk, the Queen and Prince Philip stopped frequently to talk to individual citizens, and there was no doubt of the affection in which she is held.

The Queen, at the Guildhall lunch, said: "During these last 25 years I have travelled widely throughout the Commonwealth as its head. And during those years I have seen, from a unique position of advantage, the last great phase of the transformation of the Empire into Commonwealth and the transformation of the Crown from an emblem of Dominion into a symbol of free and voluntary association.

"In all history," the Queen declared, "this has no precedent."

It was easy enough to define what the Commonwealth was not, said the Queen. "Indeed, this is quite a popular pastime. But from my own experience, I know something of what it is. It is like an iceberg—except that it is not cold.

"The tip is represented by the occasional meetings of the heads of government and by the Commonwealth Secretariat, but nine-tenths of the Commonwealth activity takes place continuously beneath the surface, and unseen."

## Right and good

The Queen added that cultural activities, professional, scientific, educational and economic bodies had created a network of contacts within the Commonwealth.

"And right at the base of the iceberg, the part which keeps the rest afloat, is friendship and communications. Largely in the English language, between peoples who were originally brought together by the events of history and who now understand that they share a common humanity."

Dr. Coggan, Archbishop of Canterbury, in his sermon in the Cathedral, said: "Our nation and Commonwealth have been blessed beyond measure by having at their heart an example of service untiringly done, of duty faithfully fulfilled, and of a home life stable and wonderfully happy.

"For this we thank God. From this we take courage.

"Many today are seeing through the hollowness of a way of life which seeks to build on a basis of materialism, of each for himself, or each for his sectional interest, and forgo the good of the whole."

Dr Coggan described the Silver Jubilee as "an occasion of great splendour and of deep joy. That is right and good."

Sir Robin Gillett said in his Guildhall tribute that it was with particular pride and satisfaction that he claimed "the right of this ancient office to try, sincerely, if inadequately, to express the thanks of the City and the nation for the first 25 years of your Majesty's reign."

"Within the Commonwealth framework, leadership can only be by example and not by precept and what finer example to the world of the family concept could there be than that set by your Majesty."

"For 25 years you have given to this country and to the Commonwealth the love and devotion that stems from self-discipline and self-sacrifice."

Among the many Jubilee events will be a review of 170 ships at Spithead on June 28. About 100 Royal Navy ships will be involved, together with auxiliary Service vessels and 20 foreign and Commonwealth ships. The Queen will make a review from the Royal Yacht Britannia. Later, in July, there will also be a review of the RAF.

The Jubilee, of course, is not just a celebration. It also has its hard business side with traders—as in Oxford Street—confidently expecting to bring in this year about £200m. of foreign currency from the extra 2m overseas tourists which the Jubilee year should attract.

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WEDNESDAY, JUNE 8, 1977


## A fortunate accident

IT IS almost painfully ironic that a Commonwealth Prime Ministers' Conference should be taking place in London at a time when there are signs of a re-opening of the debate about Britain and Europe and when the phrase "special relationship" to describe Britain's relationship with the United States is back in use.

Throughout the postwar period, successive British Governments have striven to put those three areas of British external policy into some sort of modern perspective. None has been wholly successful and events have rarely turned out as even the wisest judges foresaw. The 1962 Commonwealth Conference, for example, was an attempt to reconcile the Commonwealth to a new British role in Europe. The attempt partially succeeded, but British entry to the Community was delayed by more than a decade because of General de Gaulle's veto.

### Looser

Since 1973, when British entry finally did take place, the Community itself has changed. It has become not only larger, but looser. There are few who would now claim that Europe is on the road towards federation, nor even towards any greater integration than has already been achieved. The admission of yet more members—Greece, Portugal and possibly Spain—will presumably accentuate the trend towards a loose political grouping rather than the economic union once envisaged.

Nor have relations between Britain and the U.S., or Europe and the U.S., developed in the way generally foreseen. The twin pillars of the Atlantic Community—to use the phrase current at the time of President Kennedy—have never been firmly established. Indeed, in the early stages of a new and activist American President, it is striking how often one is reminded of the Kennedy period. Europe is anxious to be given a lead, but is less certain about where; its internal differences about the degree to which it should be dependent on the U.S., especially in the area of defence, have still not been resolved.

The Commonwealth meanwhile goes on, though again in a way that few would have predicted. It is no longer a trading area and it no longer revolves round Britain. As a voluntary association of states, it is unique both in its size and in its variety. It would be unwise, however, to draw any stronger conclusions than that. The resolutions of the conferences of its Heads of Government are not binding, and it is doubtful whether the Heads of Government would continue to come if they were. They attend because of the informality, because of the opportunity to talk freely with people with different experiences and, perhaps in some cases, to put pressure on Britain.

### Role

There is no reason to think that the meeting that opens today will be much different from its recent predecessors. The agenda, after all, does not much change with the years. Rhodesia, for instance, has been part of it almost since a whole generation of people can remember, yet as far as Britain is concerned it remains an area where the British Government has more responsibility than power. African members of the Commonwealth may press it to try harder, but there are limits to what can be done. Even the question of the new international economic order has been around by now for some time. It is particularly topical following the Conference on International Economic Co-operation in Paris last week, but it is hard to see how a body that contains only three industrialised states can do much more than talk about it.

The talking should not be looked down on; nor should the fact that so many Heads of Government bother to turn up. But neither should it be taken out of perspective. The Commonwealth as it has evolved is a fortunate accident of history. It is useful because it is there. But it is still no answer to the longstanding question of Britain's role in the world.

## Refighting the EEC campaign

MR. ANTHONY WEDGWOOD BENN, the Labour Party's so far unpopular populist, showed last week that he thinks that he has found an issue on which he and his party might be able to carry the country: the growing exasperation of many with the European Community, and especially with the Common Agricultural Policy.

Most people have a natural reluctance to take any of Mr. Benn's gimmicks seriously, and this effort to reopen a debate long ago settled, in a way which could only estrange our allies and do severe damage to what little industrial confidence there is, may seem nothing but an especially irresponsible expression of Left-wing isolationism.

It would be dangerous, however, to dismiss it too light-heartedly. There is only too much evidence that the initial experience of membership has been disenchanting. Even committed Europeans admit that were another referendum on this issue to be held now, the vote could go the other way.

### Outspoken

The Labour left, which has never been reconciled to membership, has been heartened by the unexpected success of Mr. Austin Mitchell, an outspokenly anti-European candidate, in Grimsby, and regards the European issue as the reason why the National Front has been capturing some protest votes from the pro-European Liberals. The issue of membership is unfortunately a live issue in British politics again, and it is not going to go away just because it is distasteful.

Both the Prime Minister and Mrs. Thatcher seem at the moment to have decided that the best way to handle this development is to ignore it. Naturally they cannot exploit the present wave of anti-Europeanism, but are reluctant to take what would be an unpopular open pro-European stand. This could prove a dangerous approach. There are enough unpopular realities to face in the next few months, starting at once with the end of the pigmeat subsidy, going on through the remaining losses of transitional protection, and embracing future squabbles over fisheries, the enlarged Community budget proposals, and farm prices, to keep demagogues well supplied with arguments. It remains possible, of course, that when the once-for-all transitional effects are out of the way the fuss will die down; but it is all too likely that we will have to face a national election before that happens.

### Damage

If such an election were fought with the anti-Europeans making all the noise, and neither main party offering any effective reply, great damage would be done to Britain's already questionable standing in Europe, even if not a single constituency produced an unexpected result. The incoming Government would in any case find itself hampered in making any constructive contribution in Brussels by its failure to stand up for Community principles at home. Meanwhile, European debates in Parliament would become more futile than ever—and even before the present outburst of grumbling, the House of Commons had rendered its own work largely useless by taking every practical issue as the occasion to re-fight the European battle in miniature, as a new report from the Hansard Society points out.

It would surely be better to admit more outspokenly what everyone knows: that the CAP remains an anomalous absurdity and that the failure to make any progress so far with reform is due not merely to faulty British tactics but also to the unwillingness of the founder members to face up to the inevitable political difficulties. A fresh attempt to launch reform at head-of-Government level, whether it could produce any quick success or not, would at least recapture the political initiative from the know-nothings, and concentrate the debate on practical issues rather than on tribal romanticism. The way to defend Europe is first to admit its faults bluntly, and then to try and eliminate them.

# Pay and social contract: the fig leaf is off

By CHRISTIAN TYLER and JOHN ELLIOTT

THE Prime Minister said recently he did not want a "fig leaf" pay policy for the next bargaining season. Mr. Jack Jones of the Transport and General Workers' Union has removed the fig leaf.

For Mr. Jones and Mr. Len Murray, the TUC general secretary, Stage Three is dead: that is to say, everyone had best drop the expression from his vocabulary if he wants to understand what it is the trade unions and the Government might secure by way of an agreement on pay bargaining after Stage Two.

Instead, everyone should be talking about an orderly return to free (or voluntary) collective bargaining. Precisely how that return is to be conducted will be discussed by the TUC Economic Committee and the Chancellor from next week until some time in July. With luck, they will reach an understanding before July 31, when Stage Two expires, that will go to the TUC General Council towards the end of the month, and would be voted on at the annual Trades Union Congress in Blackpool at the beginning of September.

So much for the timetable. As to whether the understanding will deserve the name "incomes policy" could be largely a matter of personal preference. Mr. Callaghan will have to decide how to present it. But whatever happens, both sides will be anxious to draw a distinction between pay policy and the social contract. Pay policy may be dead, but the social contract will live on. The distinction is already being made: both Mr. David Basnett of the General and Municipal Workers Union and Mr. Murray have been reminding people recently that the social contract was conceived before the voluntary incomes policy.

Indeed, the wages explosion of 1974-75 which most of the TUC leadership and all of the Government are now so anxious not to see repeated, occurred during the first year of the social contract.

What, then, is the orderly return to consist of? Mr. Jones' remarks last week imply that after July 31, the main task of the unions will be to hold the line on Stage Two — that is to say, to make sure that all Stage Two settlements run for the full 12 months and to stop negotiators rushing in with catch-up claims on August 1. The bargaining season does not really get under way until early November, when about 1.25m. local government and health service manual workers are due for a rise. But many groups do not come to settlements until January or later and most of the staff in the public sector, including civil servants, settle on April 1. In other words, the counter-inflationary impact of Stage Two could last well into next year, when, according to the Government's forecasts, inflation should be dropping fast towards a single-figure rate.

How far and fast inflation drops—and thus how successfully the TUC could hold the dam—would, according to the unions, depend on the Government. For the TGWU, the General and Municipal Workers' Union and many other unions, the real question now is not what the TUC can do for the Government, but what the Government can do for them—on controlling prices, on reducing unemployment, and on stimulating investment. Without that, they argue, the whole discussion about pay becomes meaningless.

As a corollary to enforcing the Stage Two rule that 12 months should elapse between principal settlements, the TUC could well ask its affiliated unions with members due for a Stage Two rise about this time not to hang back and forego a wage rise for a month or two in the hope of doing much better on August 1. Some groups have already decided to do that—among them Merchant Navy officers, general practitioners, and Fleet Street journalists.

Once Stage Two settlements had expired, the "free collective bargaining" might begin, with one important addition. Unions like the TGWU and GMWU and the Public Employees with many lower-paid members will want a minimum wage target so that workers who cannot claim pay differentials and cannot prove "anomalies," are sure of a rise. This is particularly important to workers in the public sector, where cash limits are operating, and to those for whom "free collective bargaining" has never had any real meaning.

The TUC could revise its three year old £30 minimum wage target. To make sure that any target can be achieved it may have to agree the new figure with the Government at a level that the Treasury thinks the Government — the country's biggest employer — can afford. Along with a commitment to the 12-month rule, this could be the heart of the deal. It would be a minimum incomes policy, not a maximum one, setting a floor and not a ceiling. In the opinion of many employers and politicians this would be worse than no incomes policy at all.

The rest of the TUC's aspirations—broadly covered by the headings "flexibility" and "productivity bargaining"—cannot easily be counted part of an incomes policy at all. Pay rises under these headings would be negotiated locally, not centrally. As Mr. Jones pointed out, there is no other way of doing it.

What is more, productivity bargaining may not even have to wait until Stage Two settlements expire. The Government appears to accept that. Certainly it would be difficult to make such bargaining subject to the 12-month rule if only because the miners are expecting their new incentive scheme to come into operation as soon as possible after August 1. And the National Coal Board is not alone in thinking that the miners will revolt if forced to wait for their pay settlement anniversary early next March.

### WHAT THEY FEEL ABOUT WAGE RESTRAINT

(Known views of major unions)

| IN FAVOUR OF CONDITIONS STATED | | AGAINST | |
|---|---|---|---|
| Municipal workers (GMWU) | 881,000 | Engineers (AUEW) | 1,400,000 |
| Maintenance of living standards, wage target for low paid, extra price controls. | | Public employees (NUPE) (Position may change) | 584,000 |
| Shopworkers (USDAW) | 377,000 | Managerial staffs (ASTMS) | 379,000 |
| Productivity agreements, shift premiums, restoring differentials. | | Civil servants (CPSA) | 225,000 |
| Teachers (NUT) | 282,000 | Civil servants (SCPS) | 100,000 |
| Post Office workers (UPW) | 185,000 | | |
| Maintenance of living standards, threshold agreement. | | | |
| Clerical (APEX) | 136,000 | | |
| Restore differentials, overcome pay anomalies, extra tax concessions. | | | |
| Garment workers (NUTGW) | 109,000 | | |
| Compositors (NGA) | 107,000 | | |
| (No conference) executive decision, repair of differentials, incentive payments. | | | |
| Steelmen (ISTC) | 104,000 | | |
| Raise productivity, overcome anomalies. | | | |
| Civil Servants (IPCS) | 104,000 | | |
| Restore differentials, incentive and productivity schemes. | | | |
| Bank staff (NUBE) | 102,000 | | |
| TOTAL IN FAVOUR 2.4m. | | TOTAL AGAINST 2.7m. | |
| **POSSIBLES FOR** | | **POSSIBLES AGAINST** | |
| Local government workers (NALGO) | 625,000 | Transport workers (TGWU) | 1.86m. |
| Electricians (EPTU) | 420,000 | Miners (NUM) | 262,000 |
| Railmen (NUR) | 180,000 | PO engineers (POEU) | 125,000 |
| Nurses (COHSE) (Divided). | 167,000 | | |
| TOTAL POSSIBLES FOR 1.4m. | | TOTAL POSSIBLES AGAINST 2.3m. | |

## Restraint in wage claims

The condition of allowing productivity deals through before or after "principal" Stage Two settlements expire will be that they must be self-financing. Companies will have to show that every extra penny paid is matched by a rise in output.

The Coal Board incidentally is better placed than most enterprises to provide that proof.

As for "flexibility," for the unions that means sorting out differentials—not necessarily restoring pre-pay policy differentials, but at least ensuring that the supervisor is paid more than the man he supervises; it means pay restructuring (not least at British Leyland); it means bargaining for a shorter working week (to help the unemployed) and for better occupational pensions; it means consolidating at least part of the £6 and £2.50-£4 incomes policy supplements into basic rates.

What this projection adds up to is not so much wage restraint as restraint in wage claims. And although the Chancellor of the Exchequer has called for an agreement with the TUC that would increase earnings by no more than 10 per cent. in the year to July 1978, he realises that "flexibility" may undo the arithmetic. He wants a pay figure to appear in an agreement with the TUC; but from the way Mr. Jones and others are talking that figure may have to signify the minimum increase, not the maximum.

Mr. Jones said last week he was not talking in isolation. Careful study of conference decisions taken so far pointed in the same direction, he said: that is, in favour of maximum flexibility at local level and minimum central direction. Trade union conferences this summer have been confusing for delegates and commentators alike; the language of the resolutions has been ambiguous, and the voting sometimes flatly contradictory.

The accompanying table splits unions into "pros" and "antis"; but this is a necessarily crude divison. The antis, by and large, want no interference of any kind in bargaining. On the other side the motives are mixed: some want a Stage Three policy because that would guarantee their low-paid members a pay rise; others merely because they agree that a wage explosion is undesirable. Many have attached pay demands of up to 20 per cent. to their support for a Stage Three.

Mr. Jones himself has mixed motives. As founder of past and current voluntary incomes policies, he does not want their good effects thrown away; but he and his general executive council know they cannot pin the rank-and-file down beyond Stage Two. Mr. Jones retires in March next year: he does not want to go out with the TGWU split down the middle on incomes policy at its conference in the first week of July.

Employers in general are adopting a fairly relaxed attitude towards the future of pay policy, realising that neither they nor the unions want a rigid formula and that there may be little point in trying to push the unions into voting for pay restraint levels which cannot be sustained in wage bargaining. Many companies are preparing in their annual budgets for wage costs to rise by about 12 per cent. to 15 per cent., although the official CBI line is that the figure ought to be less than the 10 per cent. to 12 per cent. rise in earnings that is emerging from Stage Two.

But, just as trade unions are divided on the value of incomes policies because of their own individual interests, so there are sharp differences of opinion among employers. Generally small companies, which are often less unionised than larger concerns, are more interested in abandoning a policy because they should be able to get away with smaller increases than if there was a national policy norm for their workers to aim at. There are also, however, large companies, either with strong bargaining traditions or with non-militant or low-paid workers, who would rather not have the expectations of their employees raised by national norms.

All companies want to be left with sufficient flexibility to enable them to sort out special problems like raising management pay, re-establishing craftsmen's differentials, restructuring pay systems, or introducing productivity schemes. Some employers believe this would be best done in a free-for-all situation but the majority view is that a central norm with flexibility freedom is the ideal. On the other hand many of the toughest company negotiators fear that a national norm merely sets a platform which all their militant workers will want to exceed and that it might be easier not to encourage them by setting a figure.

Out of these conflicting and somewhat contradictory attitudes, the main CBI line is that the Government should set a figure of around 10 per cent. for a total rise in earnings which it should enforce strictly in the public sector, so setting an example for the private sector to follow. But, if the Government during the coming weeks felt that it would have to set a higher figure in order to "buy off" some of its more militant groups such as the miners, then it might be better to have no figure at all.

The doubts over the credibility and survival chances of some form of pay restraint from the end of the summer also adds urgency, in employers' views, to the ideas put forward last week in the CBI's discussion document, "The Future of Pay Determination." These ideas envisage first the creation of a national forum for the determination of economic plans, including levels for wage rises. This would be synchronised with the Budget and would eventually lead on to rationalised pay bargaining arrangements, maybe with all major deals being struck within three months of the Budget.

Although employers realise that the pay bargaining reform could take some years to implement, the CBI does want to press ahead with its economic forum idea so that it is operating in time to be fitted in with next year's Budget and the subsequent 1978-79 pay round. On the other hand, early problems with the coming 1977-78 pay round would, employers believe, make it necessary to set up such a forum quickly in order to gain some sort of national consensus on what Britain can afford. So even if no one knows what might happen to the levels of pay rises between now and the end of the year, at least the CBI has launched some ideas to start a debate on the method by which later policies should be fixed.

# MEN AND MATTERS

## The flight that never was

The tangled tale of Tango Zulu, or Dublin Airport's breathless six-hour wait for the arrival of Ugandan President Idi Amin Dada, ended on a note of hysteria quite in keeping with the diplomatic crisis that never was.

As reporters huddled around short-wave receivers in the Airport's impromptu Press centre to hear "Uganda 345" make its approach, a senior Irish official announced that the flight in question was an Aer Lingus training aircraft. After three hours of fruitless calls by Dublin's control tower to "Uganda 345," which throughout refused to identify itself, the Aer Lingus trainee pilot had apparently decided to break his radio silence.

The news that the story of Amin's landing at Dublin en route to London was a mirage was received in stunned silence that soon gave way to disbelieving laughter. Ever since the story broke that Amin had selected Dublin as a jumping-off point for the Commonwealth Prime Ministers' Conference in London, and was circling in Irish air space, Dublin Airport had been filling up with eager reporters.

TV camera crews arrived by chartered air taxis, while armoured Panhard and Ferret military vehicles, backed up by troops and dogs, took up positions along the main runway.

The excitement was first triggered by an official communique from the Irish Government that it had been "alerted" to Amin's proposed arrival during a Cabinet meeting and that as no notice had been given of his intention to visit Ireland the Government had directed that no landing would be allowed.

The only exception would be "in emergency" or "for refuelling."


"He can't decide about the toast 'Absent Friends'."

The Irish authorities had apparently over-reacted to a diplomatic tip-off from the French Embassy in Kampala, which represents Irish interests, that Amin "might" have filed Dublin as last-stop on his flight plan.

The non-appearance of the presidential flight, widely supposed to be an Uganda air-lines Boeing 707, was put down to Amin's tactic of circling to burn up fuel so that he would plead emergency.

Hard evidence of a circling jet came at 1.10 p.m. Until then radar screens had been blank of unidentified aircraft and only a news agency report from Rome of an unexplained over-flight made the story of Amin's imminent arrival a possibility.

But teenage plane spotters with short-wave radios picked up a radio exchange apparently concerning the identity of aircraft "Tango Zulu." As the minutes lengthened into two hours, and more Irish troops arrived to reinforce the tarmac security screen "Tango Zulu" became "Uganda 345."

The mystery flight's repeated refusal to "read" appeals for it to identify itself was not unnaturally interpreted as characteristic of Amin's personal style. It was not until "Uganda 345" was locked into the Dublin approach pattern that it was at last identified as a bewildered Aer Lingus flight.

## Luxembourg all of a tizzy

The sort of suppressed excitement which helped to keep hundreds of thousands warm on the pavements of London this squally Jubilee week-end is apparently also affecting the loyal burghers of Luxembourg. What excites them is the decision of Grand Duke Jean to announce a Press conference at his country palace Colmar Berg on June 20—"subject undisclosed."

Those inhabitants of the Grand Duchy who are interested in the affairs of their Grand Duke, believe firmly that the undisclosed subject will turn out to be the relationship between the Duke's eldest daughter, Princess Marie Astrid, and Britain's Prince Charles.

Not being a close follower of Royal affairs myself I called Buckingham Palace to see if there was any truth in these rumours, which, indeed, go so far as to suggest an official engagement in the offing.

"They have never met, to the best of my knowledge," was the prompt and emphatic response of the Royal spokesperson. Luxembourgers however are going to carry on believing in a Royal attachment until June 20 at least. As for their not meeting a Luxembourg source conceded that the Princess, who is 21 years old and has been studying English at Cambridge, came to England recently for the Luxembourg-England football match; and added archly, "But she did not come just for the football." Ah ha.

## Island coup

Political prudence has led several Commonwealth heads of Government to forgo the delights of summitry in London over the coming week.

The 'week-end coup' in the Seychelles will have reinforced their sense of good judgment. It has left deposed Seychelles President, the bearded and flamboyant Jimmy Mancham, looking distinctly high and dry in London.

The islands have been independent for less than a year and Albert René, the man who has taken over as President, was one of the prime movers behind the independence movement. Mancham himself originally hoped that the islands could remain British under his Seychelles Democratic Party and only reluctantly adopted a pro-independence line, partly to meet the competition from René's Seychelles Peoples United Party and partly because Britain was reluctant to keep the islands on.

René, like Mancham, is a lawyer. But while Mancham became identified with the international jet set, René's tiny office was full of poorer supplicants seeking advice. René himself is considered a moderate socialist, but his party does have a Marxist fringe which could prove troublesome as the promised land reform will not remove the need for a continuing tourist income, including a substantial flow from South Africa, which also supplies much of the island's food.

## Night shift

Essex garage sign: "Ring for night service. Then keep your shirt on while I get my trousers on."

**Observer**

هكذا عند الأصل

FINANCIAL TIMES SURVEY
Wednesday June 8 1977

# UNITED ARAB EMIRATES

Now firmly established, the UAE is still evolving as a unique political entity. Despite differences, it is progressing towards greater unity under President Zaid's leadership. Abundant oil revenue has helped but has also over-heated the economy.

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## Progress towards greater unity

By Richard Johns, Middle East Editor

NOW HALFWAY through the sixth year of its existence the United Arab Emirates — a strange and unique political entity — is more firmly established than ever on the map of the world. It has confounded the pessimists and critics who have questioned the viability of what is still essentially a confederation of seven traditional sheikhdoms with a history of rivalry, but completely homogenous in nature, which has only in the past decade or so been exposed to the wider world.

In the event, the common interest has far outweighed the differences. More positively, all the Emirates, both rich and poor, have benefited from a union which has become a significant factor in the world as an oil power and a generous disburser of aid.

The UAE is in a continuous state of evolution, a process likely to continue for many years, though no doubt with fits and starts as it takes more solid institutional form. In its own eccentric way it has achieved, despite the pressures of the modern world, more than the Helvetian Republic did over a century or two in the Middle Ages. Whatever unpredictable changes may be in store for the region it now seems inconceivable that the progress made so far will be reversed.

Formation of the Federation was a painful and uncertain business until the Emirates coalesced suddenly and at the eleventh hour when late in 1971 their treaties with the U.K. were terminated and Britain withdrew. The Rulers, individualistic by nature, have remained suspicious and jealous of each other.

In this situation the oil wealth of Abu Dhabi, whose revenues now exceed $6bn., and the willingness of Sheikh Zaid, its Ruler and the President of the Union, have to pay for the federal budget almost in its entirety, have been the most effective means of creating the measure of unity achieved. The Emirate's petroleum income mainly accounts for a national per capita income reckoned to be the highest in the world after Kuwait's. In general unity has been better served by the disparities of oil resources in the Federation than if they had been more evenly spread.

With a prosperity based on commerce predating the start of its commercial oil production, now worth over $1bn. annually, and financial independence, Sheikh Rashid's Dubai has been the Emirate in the best position to retard too rapid an advance of not only federal authority but also the cumbersome and unproductive, but ever-expanding bureaucracy staffed by expatriate Arabs, now numbering over 20,000 and set to increase by another 10,000 which has been a prominent feature of the Federal Government.

In his sincere efforts to make the Federation more meaningful Shiekh Zaid may sometimes have given too much weight to abstract concepts of expatriate advisers. Unpretentious in his complete lack of vanity or arrogance and simple in his life style, he could not be accused of seeking aggrandisement. He has, moreover, shown a remarkable statesman-like qualities and not a little political flair.

## Exasperation

His threat last year not to stand again for a second five-year term as President did reflect a genuine exasperation with his fellow Rulers' lack of enthusiasm about the development of the Federation, reluctance to contribute anything to federal finance, and constant bickering among themselves. He kept them in suspense for four months and as a result made gains for the cause of the union.

Federal Government in the UAE is only sovereign to the extent the seven Rulers, who assemble as the Supreme Council less often than one might expect, want it to be. Until early this year the make-up of the Council of Ministers reflected a share-out among the Emirates of portfolios which took little account of ability. The central authority has been able to extend itself only so far as the individual Rulers have wanted or needed the projects and services which it has been able to provide.

Performance has varied. The UAE Government has done well in extending schooling and education, which all the Emirates, including Dubai, have been more than willing to accept. In the field of health services progress has been woefully slow and Sheikh Rashid has needed no justification for building his own hospitals. Five years of union have seen considerable road construction. Federally financed power capacity has been installed in Sharjah and the other northern Emirates.

As Abu Dhabi, Dubai, Sharjah and Ras al Khaimah have pressed ahead with their air and sea port projects in competition, threatening wasteful over-capacity, there has been no question of bringing such facilities within the federal purview. In this situation the UAE Ministry of Planning has hardly had any role to play at all, although it is gamely preparing a five-year programme for implementation from 1980.

There has been positive movement, however. Following Sheikh Zaid's brinkmanship last year the Emirates agreed to put their police forces under the control of the Ministry of the Interior. In a reshuffle the Council of Ministers was reduced to a more reasonable size and account paid to ability and experience in the choice of its members. Equally important last year was agreement on the merger of the Abu Dhabi Defence Force, the much smaller Union Defence Force, the Dubai Defence Force, the Sharjah National Guard, the Ras al Khaimah Mobile Strike Force and the Ajman Defence Force.

For the time being the old military elements have kept their "regional dispositions" and real integration will take some time. But that is the way of the UAE. Another encouraging development has been the acceptance by Sharjah and Dubai of international arbitration over their border dispute, the most serious one outstanding, involving no more than a 4 km. corridor out to sea but one which is thought to contain an oil-bearing structure.

Sheikh Zaid's increasingly impatient anxiety to make the Federation more of a reality is understandable on the score alone that Abu Dhabi has since independence undertaken nearly the whole burden of the federal budget, with Dubai having made only a small contribution. Sheikh Rashid would argue that he himself provides his Emirate with services which elsewhere are paid by the UAE Government.

How much he will contribute this year is not yet known and may be one reason for the delay in the publication of the 1976 federal budget. It is known to provide for expenditure of no less than Dh.10.92bn. ($2.8bn.). This is more than twice the size of last year's, largely because of the merger of the defence forces and the inclusion in it for the first time of the appropriations for education, health, information and culture which were formally handled by Abu Dhabi's own Finance Department.

The origins of the crisis in the UAE banking system that last month became fully apparent with the closure of two institutions were not unrelated to the whole question of federal evolution. The failures, which neither the UAE Government nor the Currency Board seemed particularly anxious to prevent, came as a salutory shock to other banks deeply involved in property development.

## Legislation

It also emphasised the need for a monetary authority vested with powers not only to keep in order the Federation's 56 banks but also to control credit and so help curb inflation, which continues to roar ahead at an annual rate of 40 per cent. or more. Draft legislation on the creation of a Central Bank —urged for some time now by the IMF—was ready a year ago but met opposition from some of the Rulers. It may now soon be enacted.

While the internal political and administrative development has been a piece-meal affair, a sense of citizenship and common destiny in the younger generation has been much quicker to evolve. The manner in which the UAE has made its mark internationally as a member of the Arab family of nations and in the wider world would have been partly responsible for that. Here again most of the credit must go to Sheikh Zaid, not least for his open-handed generosity.

In the first five years of its existence no less than 20 per cent. of Abu Dhabi's oil revenue has been disbursed in aid — not including extra-budget handouts to fellow Rulers. An extraordinary high proportion has been in the form of outright grants, particularly to the "confrontation" States. Established in 1971, the Abu Dhabi Fund for Arab Economic Development has stepped up its activities and had committed nearly Dh.600m. in cheap loans by the end of last year, having also extended its operations to non-Arab countries. It has participated heavily in the financing of pan-Arab projects.

In the region and in pan-Arab affairs UAE is in the moderate mainstream, anxious to avoid involvement in controversy or disputes. The decision to back Saudi Arabia by limiting its 1977 oil price rise to 5 per cent. was very much Sheikh Zaid's. For him the maintenance of the most harmonious relations possible with the Kingdom is not only prudent but essential.

A major source of tension and potential instability was removed when in 1974 Sheikh Zaid settled in principle and outline at least, the long-standing territorial dispute with Saudi Arabia. In accepting change to the "Riyadh Line" a big portion of what had been regarded by the U.K., as well as by Abu Dhabi, as part of his family's domain, including a corridor to the Gulf of Qatar and a strip of oil-rich desert to the south. The border has still not been properly demarcated and the Saudis are said to have increased their demands by asking for a strip of land connecting the Kingdom with Buraimi Oasis, the original cause of enmity.

With the death of King Feisal the scars left by the 1955 flare-up have been healed. In future, the UAE may respond in some areas to Saudi influence—as the recent reversion to stricter observance of Islamic law and the introduction of prohibition of alcohol for nationals suggests. But even if it must pay attention to Riyadh's wishes, the UAE can feel happily secure in the region. As for the future of the union, the continuing question is not whether there shall be a federation but what form it will eventually take.

# UNITED ARAB EMIRATES II

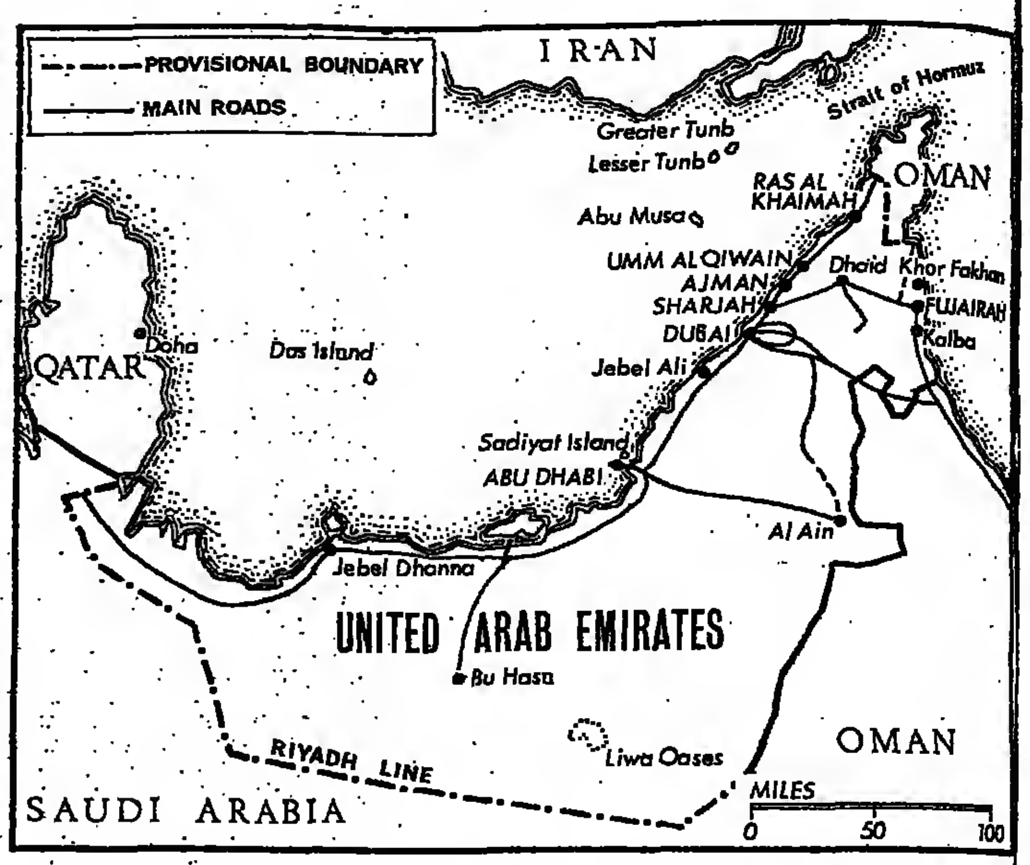
**There is no doubt that the UAE is one of the world's wealthiest countries. The seven Emirates are moving towards greater economic unity, and like most federations, the wealthier states ensure that their poorer neighbours get a share of the overall oil wealth.**

# The economy

IN TERMS of per capita income the United Arab Emirates was the second most wealthy country in the world in 1975, according to estimates published at the beginning of this year by the World Bank. Gross National Product was put at $6.87bn. Per capita income was calculated at $10,480 on the basis of the population figure of 656,000 arrived at in the as yet unpublished census taken by the UAE Government two years ago. That exercise in head-counting is thought not to have taken full account of the number of illegal immigrants working in the Federation and might, therefore, have underestimated the total by 200,000 or more. Most of the expatriate Asian labour earn only very small wages even if they are handsome by the standards of their compatriots back home. Whatever the demographic truth, however, and the obvious disparities in wealth, it is clear that per capita income is high by any standards.

In its latest annual report the Currency Board acknowledged the high global rating of the UAE in terms of per capita income but dismissed it as a "statistical abstraction." So it is from several points of view. Not the least is the fact that nearly all the Federation's income comes in the first place to Abu Dhabi, with over three-quarters of the total, and Dubai with another 20 per cent. when the Emirate's commercial activity—which long predates the discovery of oil—is taken into account. In terms of development of its infrastructure and services Abu Dhabi enjoyed a head start, having entered the league of oil producers 15 years ago. It has been bountiful in its contributions to the common weal. The Federation has now been in existence for over five years. But its evolution has been slow and such as to make any calculation of per capita income notional and even nonsensical quite apart from the presence in the country of so many expatriates.

Sheikh Rashid, the Ruler of Dubai, has continued to regard his State's petroleum revenue, now running at over $1bn. annually, as his own income and concentrated on devoting it entirely to the enhancement and development of his own realm—albeit to the benefit of neighbouring Emirates and the Federation as a whole.




**THE UAE: TRADE BALANCE**

(in Millions of Dh.)

| | 1971 | 1975 | 1976 (Actual half year) | 1976 (Projection full year) |
|---|---|---|---|---|
| Oil exports | 3,411 | 26,838 | 15,877 | 32,281 |
| Abu Dhabi | 3,025 | 22,597 | 13,138 | 26,745 |
| Dubai | 386 | 2,879 | 2,572 | 5,174 |
| Sharjah | — | E362 | E167 | E362 |
| Non-oil exports and re-exports | 579 | 1,799 | 1,191 | 2,501 |
| Total exports and re-exports | 3,990 | 28,637 | 17.068 | 34,782 |
| Imports | 1,469 | 10,571 | 6,316 | 13,364 |
| Net balance | 2,521 | 18,066 | 10,752 | 21,418 |

## Control

With oil receipts in the region of up to $6bn. last year, Sheikh Zayed of Abu Dhabi has institutionalised the control and expenditure of his oil income, retaining only a small proportion for his Privy purse. He has been almost entirely responsible for the Federation's budget. In this way Abu Dhabi's financial wealth has been spread to the other Emirates, including Sharjah, which shares part of its modest income with Umm al Qiwain. But despite the undoubted progress made towards unification over the past two years it is almost premature to assess the UAE in macro-economic terms.

Strange political creature that it is, however, the UAE does constitute an effective entity. As such it is posible to make some broad generalisations about it. Most obviously it is dependent on oil for at least 90 per cent. of its income, and indirectly most of its economic activity, which in turn is stimulated by public spending. During the first five years its existence, which have seen per barrel receipts increase more than ten-fold, it has consistently been in surplus—a large proportion of which has been disbursed by Abu Dhabi as aid. While Sharjah and the other smaller Emirates have had less money than they would have liked, the constraints facing the UAE have not been financial ones—thanks to the plentiful availability of Abu Dhabi's revenues—as it has faced the task of transforming what was one of the most neglected and backward parts of the world as recently as 20 years ago into a modern federated state. Productive diversification of the economy will inevitably be towards hydrocarbon-based industries but such developments, even where a clear-cut comparative advantage exists, may be inhibited by considerations about immigration. But with the cultivation of the right environment and a liberal attitude to participation by foreign interests there is a considerable potential for services fulfilling a wider regional role as Dubai has shown.

As yet the Government has not published any balance of payments figures. The accompanying trade table, however, gives some idea of the visible surplus derived mainly from oil. The UAE has little in the way of non-oil exports—scrap metal, hides, skins, dates, dry fish and shark fins which brought in Dh.45m. in the first half of 1976. But Dubai's re-exports have continued to increase and still constitutes 30-35 per cent. of the Emirate's imports even if they have declined as a proportion of the total.

Set against this on current account have been substantial outgoings under the heading of services and private transfers where the debit is running now at a rate well over $1bn. a year. This money should be attributed mainly to transfer of profits by the foreign oil companies (which decreased with Abu Dhabi's assertion of 25 per cent. and then 60 per cent. participation in their operations) and the remittances of expatriate workers (which has gone on rising steadily). The UAE achieved a current account surplus of rather more than $550m. in 1973 at the end of which came the oil price explosion.

This rose to something like $4.5bn. in 1974 but then probably declined marginally to a little less than $4bn. in 1975 with the deduction of about $1bn. for services and private transfers. The slower increase in imports and higher oil production last year probably meant that the current account surplus was still probably in excess of $3bn.

On capital account the main debit has been Abu Dhabi's generous aid payments. In 1975 they amounted to $950m. and last year reached $1.25bn., divided almost equally between grants and loans. Yet despite this munificence and increased contributions to the federal budget, Abu Dhabi still accumulated a fiscal surplus of nearly Dh.5bn. in 1976 enabling it to add over $1bn. to the assets controlled by the state's Investment Authority which are now believed to total $4bn. Revenues next year are projected at Dh.19bn. to Dh.20bn. Confronted with a federal budget of nearly Dh.11bn., the Emirate's projected spending programme of Dh.4bn., and an aid outlay of Dh.4.5bn., officials predict that there will be no surplus this year. But in the view of shortfall in spending at both union and state level in previous years, observers believe that there will again be excess revenue for investment.

Last year only 61 per cent. of officially projected expenditures by the Emirate were made. As for the Federation, disbursements are likely to fall far short of the Dh.10.92bn. ($2.80bn.) expenditure projected in the final draft (which had not been approved or published by the end of May).

## Surplus

In a smaller way Dubai is contributing to the surplus. Despite its heavy recent borrowings, it is living well within its means, resorting to the markets because Sheikh Rashid sees this as the cheapest way of financing his projects in the long run and wishes to keep considerable sums of cash in hand. It is difficult to make an exact estimate of his financial position. It is also difficult to distinguish between his public and private spending or obtain any real idea of his other sources of income other than oil, apart from his Customs dues. However, his petroleum revenue exceeded Dh.4bn. last year and will be greater in 1977. In 1976 what should be identified as public expenditure — as opposed to his more personal commercial ventures — are understood to have amounted to Dh.1.9bn., of which Dh.600m. was current and Dh.1.3bn. for projects. Over the past ten years he has borrowed nearly $1.6bn., the greater part of which is still outstanding. On the basis of present commitments his debt servicing requirements this year will be the equivalent of about Dh.380m. (nearly $100m.), rising to Dh.[illegible]80m. in 1979, Dh.1.74bn. in 1980 and a peak of Dh.1.82bn. in 1981.

Sheikh Sultan, the Ruler of Sharajah, is devoting his very much more modest petroleum income of some $35m. to developing the infrastructure of his Emirate and its undoubted potential as a service centre, boosting his own modest resources with outside capital in a bid to exploit the Federation as a whole. Neighbouring little Umm al Qiwain is putting to good use its share of the revenue from the off-shore field nearby Abu Musa has given it as part of the 1971 compromise which gave Iran custody of the island and also rights to half of its oil resources. Like Sharjah, Ras al Kaimah and Ajman have resorted to the Euromarkets and in their quest for finance have probably been helped by the assurance that in the background rich Abu Dhabi will underwrite them. Poor Fujairah has been very much on the sidelines, but is now looking at the possibilities of tourist development along its beautiful coastline.

All the Northern Emirates have been happy enough to accept federal finance infrastructure, services and utilities that they would liked to have provided themselves but could not afford. Assistance with the development of agriculture and fisheries, which fall within the domain of the UAE, has been welcome. Commendably each according to its means and reasonable expectations has made efforts to diversify sources of income especially from services.

In the forefront here has been Sharjah with its bid to attract foreign businesses by offering the most conditions, in competition with its historic rival Dubai, to draw in more expatriate residents through cheaper accommodation and generally to provide a more attractive alternative as a service centre.

There has been the drive to establish facilities to capture air traffic and seaborne cargo which could lead to wasteful

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**The frenetic business activity engendered after the oil price rise of 1973-74 has now given way to a more measured rate of growth. Greater discipline has been introduced in several areas, and in the construction field supply is now meeting demand. But the high rate of inflation is still a problem.**

# Business prospects

N THE United Arab Emirates he boom arising from the 1973-974 oil price escalation has at ast subsided to the extent that —in certain respects at least—bere is something of a recession. The ugly word was on the ips of many businessmen and contractors before the closure, owards the end of last month, of two banks. Yet it is a misleading one in describing the more complex changes that the UAE s undergoing and needs considerable qualification.

As elsewhere in the Gulf the boom has expressed itself in frenetic construction activity. What has happened is that the private sector in Abu Dhabi, Dubai and Sharjah—responding o the lucrative challenges set y the expenditure plans of both the Federal Government and the Individual Emirates—has at last over-run itself in the bulding of the business and residential accommodation for the expatriates required for the implementation of ambitious development programmes. The era of gross and easy profits from real estate transactions and property may at last be over.

In the longer-term perspective this construction activity—essential though it may have been—will be seen as the most superficial aspect of the UAE's development activity. In the bonanza of the past few years much of the private sector's effort has been devoted to providing the offices and homes. At last supply is beginning to exceed demand in Dubai, Sharjah and latterly Abu Dhabi. The prospect is that developers who entered the market late in the day and banks who financed their operations will have their fingers burnt. From now a much greater proportion of economic activity will come from the big industrial projects of Abu Dhabi and Dubai and the continuing infrastructure programmes of the Federal Government and the individual Emirates.

The difficulties facing some developers and those financing them should not obscure the fact that it is public spending—whether by the Federal Government, Abu Dhabi, with its formalised institutions, or Sheikh Rashid of Dubai from his privy purse which has provided the main stimulus for the construction boom and flourishing trade activity. For more fundamental reasons than the looming surplus of business and residential accommodation a slowdown from the furious pace of 1974 and 1975 was inevitable. With the revenues of Abu Dhabi and Dubai still exceeding revenue obligations, money has been no constraint. However, as in other oil producing states, limitations on absorptive capacity have been—most notably manpower shortages and infrastructure bottlenecks. Although both have eased, demand has continued to exceed available non-financial resources, leading to an inflation rate which only the wealth of the union has made tolerable.

## Measured

Having gone so far in building a basic infrastructure and providing housing the UAE can at least contemplate a more measured and less frenetic progress, despite the uncoordinated plans and ambitions of the individual Emirates. One benefit, hopefully, should be a reduction in the rate of inflation. Official estimates, which put it at 30-35 per cent. in 1974 and 20-25 per cent. over the past few years, have undoubtedly grossly minimised. Most close observers in the UAE who have felt its painful bite have no doubt that it has run at an average rate of 40 per cent. or more. The main element meanwhile, has been the soaring rents which, admittedly, have hit the expatriates and their employers rather than the indigenous population.

Taken as a single entity the union has, again, been no different to the other oil producers in having recorded a much slower rate of growth in its imports this year than last. In 1974 imports more than doubled to $1.71bn. compared with $821m. in the previous year. In 1975 they rose by another 56 per cent. to $2.67bn. Last year, however, when they would have been in the region of $3.5bn. the expansion slowed down to little more than 20 per cent.

At the same tima analysis of imports by broad category is also revealing abont the pace of development from a slow base and the predominance of construction in economic life. The UAE, it need hardly be atressed, is dependent on imports for virtually all of its requirements. From 1970 to 1975 consumar goods declined from 57 per cent. of the total to 42 per cent. Intermadiate goods, however, rose from 9 per cent. of the total to 12 per cent. and capital goods from 25 per cent. to 40 per cent.

Projections based on the first half of 1976 indicate that the shares last year were respectively 42, 12 and 44 per cent.

In commerce, as in so many other respects, the UAE is a tale of two cities, Abu Dhabi and Dubai. They still constitute two distinctive markets, even if Dubai has also served Abu Dbabi as a commercial centre also for the Northern Emirates, Oman and other countries of the region. Their import statistics for 1976 certainly make a striking contrast. Abu Dhabi's grew by only a modest 6 per cent. from Dh.3.70bn. to Dh.4bn. In real terms hardly any gain at all—having leapt by 67 per cent. They show fairly dramatically the limits of Abn Dhabi's absorptive capacity and a surprising degree of economic stagnation as the scope for the private sector in the construction field has become restricted and the go-ahead for new public projects, both federal and state, has baen delayed. The expectation is that some of the smaller, local construction companies will go out of business. Also indicated by these recently released customs returns is heavy over-stocking by the merchants of the Emirate, who have never shown qnite the same responsiveness and flexibility as those of Dubai while jealously preserving their own exclusive territory.

Despite a fall in its sales, the U.K. maintained its leadership of the market with an 18.4 per cent. share (down from 21 per cent. in 1975). The most significant items in the U.K. export performance were, predictably, construction mechinery, dumper trucks, generators, pumps and hardware for industry.

Dubai, meanwhile, recorded an increase of 33.5 per cent. from Dh.7.11bn. to Dh.9.49bn. ($2.43bn.), which compared with one of 48 per cent. in 1975. It bas long been established as the main entrepot of the Gulf, a role it is still fulfilling. But over the past five years the proportion of goods entering Dubai destined for consumption in the Emirate itself has progressively grown, so that currently re-exports only account for 30-35 per cent. of tha total. Although it has continned to serve the Northern Emirates, Oman, Sandi Arabia and Qatar in a significant way—depending at any one point in time on port congestion in these countries—the concentration of imports has been increasingly on the ambitious development plans of the Emirates.

Congestion at Dubai's Port Rashid—which seemed almost visionary in its size wben the original 26 berths were completed in 1970 end which is now undergoing a further substantial expansion—bears witness to much quicker development and economic dynamism in the Emirate. For much of this year waiting times were over two months for non-priority vessels bnt have since fallen to 30-35 per cent. for rather less than half of the vessels. As this fall suggests, trading condltions are not as buoyant as they were. A number of small traders are said to be in danger of going out of business although the big merchants—who originally grew rich from the gold traffic —are as strong as ever, having diversified early into property and other business.

## Revealing

U.K. exports to Dubai nearly doubled last year and Britain kept its second place in the market, closing the gap with Japan, the leader. Undoubtedly this performance underlines the fact that success in the UAE and other states of the region depends in no small measure on the winning of contracts for large-scale projects. In few other places can British contractors have been so successful, thanks to the long anduring relationship established by a handful of companies with consultants with Sheikh Rashid, the Ruler, who personally accounts for the bulk of development. While consultant engineers and professionala are heavily represented, other U.K. contractors, attracted by the environment, have been able to establish themselvea in partnership with local companies.

In Dubai projects (epart from those of the Municipality) are awarded as e result of negotiation, and as far as the Ruler is concerned on an almost informal basis, wbile the spirit of generally accepted international contract terms is respected. The same flexibility is evident in Sbarjab and the Northern Emirates. Abu Dbabi ia a much tougher proposition whether one is considering Federal, Emirate or even private projects. There, the rule is public tendering, though the lowest bid is not always accepted. Bid bonds of 5 per ceot. and performance bonds of 10 pcr cent.—harsher than Saudi Arebia's revised conditions—are demanded with the coocomitant difficulties in obtaining guarantees. Bargaining in these conditions can be protracted aod difficult. An influential agent can be invaluable.

The decline in the property market sbown by newly-completed but vacant premises and the pelpable trepidation among the smaller bankers has only recently become apparent and has yet to make itself fully apparent. Socialty it can do little harm providing that no more banks are allowed to collapse. In the meantime the apparent recession facing the private sector in no way indicetes a slump. The public sector projects of the Federal Government and the Rulers are more than enongh to maintain at a more sane pace the momeotum of an economy whicb until last year had been lurching ahead at almost uncontrollable speed. Forthcoming approval of the belated union budget and work on Abu Dbabi's future industrial complex at Ruweis should give an extra boost later this year. Inflation will no donbt continue to be a problem even if on a lesser scale.

As it is, the banking crisis has bad one result which should in the long term benefit economic development and strengthen the Federal Government. In response to it, instructions were issued last month in tbe name of President Zayed designed not only to briog a measure of necessary discipline to the benking system but also cootrol credit, whose expansion has been such a major inflationary fector. The probability is that the Currency Board will be upgraded to the status of e Central Bank, with the array of powers usuelly associated with such en institution. At least, tbe outcome of the affair mey be the emergence of some kind of economic policy for the Federation es e whole in the future.

**Richard Johns**

# Economy

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and expensive duplication. Sharjah and the poorer Emirates have been attracted by the possibilities of tourism which might well be needed if the investment in hotel accommodation now being made is to be justified. One of the more interesting initiatives has been that of little Ajman in establishing a small dry dock in conjunction with Japanese interests — an enterprise well in keeping with its ancient boat-building traditions.

Sharjah is looking to private investment for its industrialisation. Last year it set up its National Industries Company. Under a recent decree it was reformed as the Industries and Development Company with a capital of Dh.300m. The founders have pledged to pay 50 per cent. of the capital and have already subscribed Dh.47m. The remainder is on offer to UAE nationals. The new entity has already taken over Sharjah's paper bag plant, rope factory and cement plant. Ras al Khaimah has its cement plant which is undergoing a big expansion. For the smaller end poorer Emirates the scope for industrial development would seem limited largely to production of building materials (several are producing aggregates). It remains to be seen what assistance it will receive when federal planning becomes a reality. The UAE Development Bank is providing loans at nominal rates of interest. It is well endowed with substantial capital but as yet most of the call on its funds has been for property and hotel projects. In particular, it has enabled even the most humble citizen to join the rentier class without any risk to himself of the extraordinary financing arrangements. But the UAE Development Bank has not been quick in processing applications and has done very little to stimulate productive enterprise.

Inevitably—and indefinitely—the main thrust towards diversification will come from Abu Dhabi and Dubai, using their own financial resources and utilising hydrocarbon fuels. The boldest initiative yet has been Sheikh Rashid's dry dock project which is scheduled for completion early in 1979. In the face of competition from the pan-Arab facility in Bahrain and without as yet any expert management having been secured, its future viability seems somewhat problematical. The scale of the Jebel Ali industrial estate and its port which are now under construction is breath-taking. However, anything to which the Ruler of Dubai puts his hand seems to be profitable. With their production committed years ahead the success of both his aluminium smelter and gas liquefaction plant look assured. The plan for a steel plant looks as though it will materialise.

Abu Dhabi appears to have decided against becoming a primary steel producer either because of the need to import manpower on a permanent basis which would be involved and apparent doubts about the viability of a plant. With the first shipments of NLG and other products from Das Island this year, it is at last utilising associated natural gas which hitherto has gone to waste. After years of needless delay the Abu Dhabi National Oil Company is finally going ahead with the onshore scheme. ADNOC already has a number of industrial ventures, most of them oil-related.

The Emirate's major diversification plans, however, centre on the industrial city to be built at Ruwais, 150 miles to the west of Abu Dhabi, which is to be the location of an export refinery and petrochemical complex of which the dimensions are still not clear. Abu Dhabi has moved slowly towards its hydrocarbon-based, capital-intensive heavy industry. With large reserves of non-associated gas waiting to be exploited in the desert and promising a long industrial future the lack of urgency is understandable and probably does not matter.

**R.J.**

# UNITED ARAB EMIRATES IV

**One of the leading oil producers in the Middle East, the UAE sided with Saudi Arabia as a moderate in OPEC. Abu Dhabi is the most important producer but its co-operation with Dubai and Sharjah is loose as each pursue their own policies.**

## Oil

OIL AND the income derived from it is the mainspring of the UAE's development and political cohesion. Production from the three main producers — Abu Dhabi, Dubai and Sharjah — in 1976 averaged 1,936,303 barrels a day (including half the production of the Bunduq field shared by Qatar and Abu Dhabi). This was an increase of 14.2 per cent. over the previous year's production of 1,696,458 b/d. Within these figures, Abu Dhabi's production rose by 12.2 per cent., Dubai's by 23.2 per cent., and Sharjah's fell by 2.6 per cent.

However, it would be an error to assume that overall statistics reflect close co-ordination between the main oil producing Emirates of the UAE. Even before the formation of the UAE, the possession of oil and wealth represented a degree of political power, and it was partly this reason — the hope that oil might be found — which originally induced Ras al-Khaimah to delay joining the federation for a few months. It is for this reason, too, that the four smaller states, Fujairah, Ajman, Umm al-Qiwain and Ras al-Khaimah, continue with modest exploration plans. They have in some cases found some oil, but not in large enough quantities yet to be included in the assessments of UAE production as a whole.

Thus, when Mr. Mana Said el Oteiba, the Minister of Petroleum and Mineral Resources, speaks, he does so in policy terms on behalf of the UAE, but in practice Abu Dhabi and Dubai tend to run their oil industries in their own separate ways.

At the controversial OPEC meeting in Doha last December, the UAE stood with Saudi Arabia against the other 11 members, in deciding to opt for a 5 per cent. increase in prices. Dubai and Sharjah had to go along with this, although they would have preferred a 10 per cent. rise. (It is probable that, in fact, Dubai's oil prices, about which it tends to be secretive, have risen higher.) While the UAE has re-affirmed its solidarity with Saudi Arabia over this moderate price rise and pressed others to associate themselves with it, it regrets the confusing effect the two-tier pricing system has, as Mr. Oteiba put it in an interview with the authoritative Middle East Economic Survey, "for everyone—the producers, the consumers and the oil companies." He made the important point also that, unlike Saudi Arabia, the UAE would not substantially increase production. "We could," he said in February, "produce an extra 300,000 b/d in Abu Dhabi immediately and this spare capacity could be raised to between 750,000 and 1m. b/d by the end of this year. . . However, we have not yet made up our minds about increasing actual production. We are very much concerned not to replace the oil of the other 11 members of OPEC. We do not want to hurt our colleagues." In addition, it has not sought to exploit the 30 per cent. premium to which it is entitled under the so-called Algeria formula, until the two-tier price structure has been sorted out.

In the area of participation, there has been perhaps the most obvious lack of co-ordination. In July, 1975, Dubai, by announcing the complete nationalisation of the Dubai Petroleum Company (DPC), caused a dispute with the federal Oil Ministry. In practice, this "takeover" was something less than total, for Conoco under its terms remained as operator and the DPC group continued to market Dubai's oil, take the risks, make the investment and bear the costs. But the main point was that it ostensibly put Dubai ahead of Abu Dhabi, which since 1974 has had a 60:40 arrangement with the main operators onshore and offshore.

Abu Dhabi is by far the largest oil producer in the UAE. Its production last year totalled 1,576,000 b/d, just over five times that of Dubai. Its receipts from oil have risen sixfold in the last few years. In 1973 they amounted to Dh.3bn., last year Dh.18bn.

Production levels are regulated by allowable ceilings, which were imposede in 1974 for technical reasons, although conservation is also pleaded to stretch reserves, which it is believed will last about 60 years. The production ceilings are 1,053,000 b/d for Abu Dhabi Petroleum Company (ADPC), and 110,000 b/d for two smaller ventures. Offshore ceilings for the Abu Dhabi Marine Areas (ADMA) are to be allowed to rise from 450,000 b/d in 1976, gradually throughout 1977 so that the average ADM allowables for the Zakum and Umm Shaif fields will be 550,000 b/d. The increase will come from the Umm Shaif field and mainly so that sufficient associated gas can be produced for the gas liquefaction plant on Das Island.

ADPC is owned 60 per cent. by the Abu Dhabi National Oil Company (ADNOC), and 40 per cent. divided between BP, Shell, CFP (95 per cent. each), and Exxon and Mobil (4.75 per cent. each), and Partex (2 per cent.). ADPC reckons that it has an installed capacity of 1.3m. b/d.

At the beginning of April ADMA, under an agreement to implement the 1974 participation agreement under which ADNOC took 60 per cent. in the operation, was renamed Abu Dhabi Marine Operating Company (ADMA-OPCO).

Its partners remain BP 14.7 per cent., CFP 13.3 per cent., and the Japan Oil Development Company (Jodco) 12 per cent. The new company is fully incorporated in Abu Dhabi.

Relations between ADNOC and the companies remain untroubled, and Abu Dhabi does not appear anxious to move towards 100 per cent. takeover. It has, however, just started negotiations with ADPC to evolve a relationship similar to the new ADMA-OPCO arrangement. Negotiations are expected to be more complicated, as ADPC is both an operator and concession holder, unlike the former ADMA.

Onshore oil is considerably cheaper—30 cents a barrel—than offshore oil, which costs about $1. This is because the offshore reservoirs require large-scale water injection schemes. In February ADNOC signed a contract with CFP-Total for the development of the Upper Zakum oilfield, to raise its production and export capacity from 50,000 b/d to 500,000 b/d over seven years. This would make Abu Dhabi a 2m. b/d exporter. ADNOC is putting up $1.5bn. for the first stage of investments. Of the other ADMA-OPCO participants only Jodco is maintaining a 12 per cent. equity interest.

ADNOC is playing an increasingly active role in marketing. It sold in 1975 only 12 per cent. of its share of output, and this is to rise to 60 per cent. this year. From the beginning of this year the bulk of its sales have been placed on a long-term basis with contracts of four to five years duration. Last year ADNOC's direct sales were mainly on a one year basis. It will be disposing of an average of 872,350 b/d for the first half of 1976, the largest recipients being Gulf Oil 85,000 b/d, Amerada Hess, 80,000 b/d BP 88,000 b/d and CFP-Total 85,000 b/d. (In 1976 volumes to equity holders in ADPC and ADMA were channelled under old-style buy-back arrangements. This has been eliminated and replaced by straight purchase contracts.)

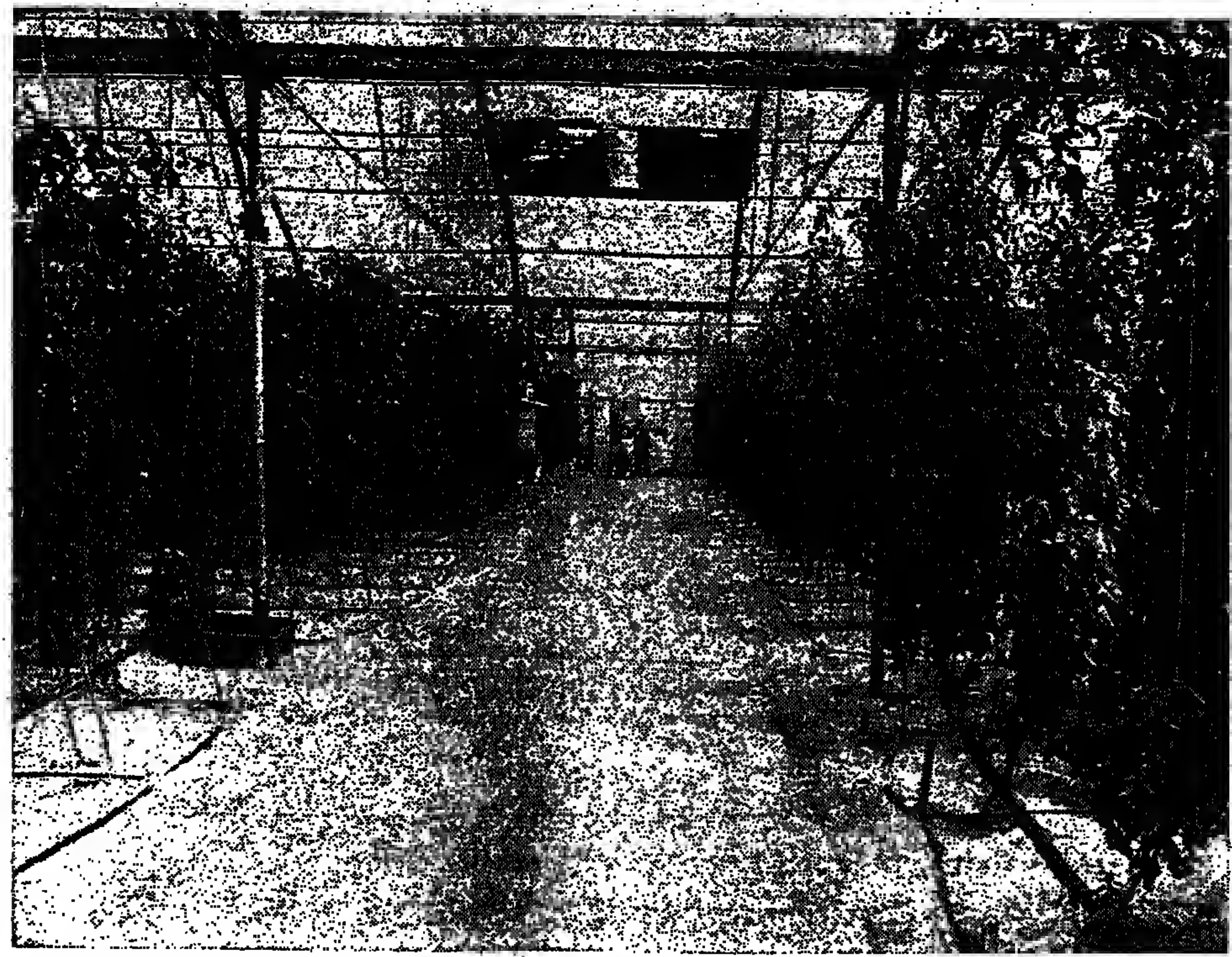
The ADNOC refinery at Umm al-Nar, just outside Abu Dhabi, came on stream in April 1976, with a capacity of 15,000 b/d. There are plans to expand its capacity to meet the increasing oil products requirements of the UAE. The Abu Dhabi Executive Council has also approved a project for the establishment of a new refinery costing $500m. with an initial capacity of 120,000 b/d, rising to 240,000 b/d at a later date. This will be at Ruwais near the crude oil export terminal of Jebel Dhanna.

Oil production began in Dubai in 1969, and its production of nearly 16m. tons last year made it the ninth largest producer in the Middle East. Earnings have risen enormously in recent years. In 1973 they amounted to Dh.1bn., but last year they were estimated at Dh.5.2bn. Production rose swiftly at first, from 34,236 b/d in 1969 to 219,746 b/d in 1973. Subsequently the rate of increase slowed—but not, it is believed, because of two fires on rigs in 1973 and 1975. Last year production rose by nearly a quarter to reach 317,337 b/d, and DPC hopes that production will average this year about 330,000 b/d although returns for the first quarter of this year show a production level similar to last year's. Dubai does not reveal officially its reserves or their production life, but they are believed to be comparatively restricted, about 15 years. At present the productive fields are offshore. A concession run by a consortium led by Texas Pacific operates partly onshore and partly offshore but so far without success. The main offshore fields, Fateh and South West Fateh, are worked by a consortium whose composition has changed several times over the years, but it is presently constituted as follows: Dubai Marine Areas (owned half by CFP and Hispanoil) 50 per cent.; DPC 30 per cent.; Deutsche Texaco AG 10 per cent.; Dubai Sun 5 per cent.; and Deilzee Dubai Petroleum, a subsidiary of Wintershall AG, 5 per cent.

The Fateh field was discovered by DPC in 1966, and four years later, a new field, 10 miles to south west of Fateh, was named South West Fateh. In 1973, a third small field, named Rashid, was found 15 miles south of Fateh. Last year hydrocarbon shows were made in another field, Falah, but the full commercial potential of these two last fields have yet to be evaluated. During 1976, crude oil liftings from the offshore Fateh and SW Fateh fields were 115,828,116 barrels, and the increase by nearly one quarter was attributed to the development drilling programme and recovery techniques. Inevitably this makes the development of Dubai's oil expensive. In the Fateh field, where there are 22 producing wells, the waterflood plant injected 88.3m. barrels of treated seawater into 23 wells. SW Fateh had four wells treated by injection from the Fateh waterflood plant and another 22 wells injected with gas to preserve reservoir pressure. The offshore fields are self-contained, for oil is stored in three containers, shaped like inverted champagne glasses, which each hold 500,000 barrels. These bottomless bells, which were built on shore and towed out to sea, contain oil which is pumped into the top and stored for offloading, using the basic scientific principles that oil and water do not mix and that oil is lighter than water.

Sharjah's oil production is modest, totalling 37,000 b/d last year, 2.6 per cent. less than in 1975. Production limits are reckoned at present to be about 50,000 b/d, a level reached occasionally in 1976. The chief producing area is from the Mubarak field, which came into production in July, 1974. The Mubarak field is close to Abu Musa island, which Iran occupied in December 1971. As a result Iran takes half the revenue, and because of a border dispute with Umm al-Qiwain, 30 per cent. of Sharjah's income goes to that Emirate. Sharjah's income from its 35 per cent. share of the field's total income amounted to $35m. in 1976. Reserves are estimated to last about 90 years at current production levels.

**Anthony McDermott**



*An experimental farm on Sadiyat Island, Abu Dhabi.*

**With water almost as precious as oil in the UAE, farming is a difficult and highly specialised occupation. But efforts so far show that with modern methods the desert can support vegetable crops.**

# Agriculture

IN MOST countries farmers are striving to obtain greater crop yields per acre. In the United Arab Emirates they talk in terms of yield per gallon of water, a resource which is rapidly becoming as valuable to them as oil. Competing against some of the toughest elements in the world is nothing new to the UAE farmer. In such arid conditions soils are often encrusted with gypsum and limestone, the shifting dunes frequently prove too active for planting in specific areas and strong south-easterly winds have a tendency to expose the roots of young plans or sometimes even bury them completely.

With summer temperatures reaching 45 degrees Centigrade and a minimal annual rainfall of between 70mm and 120mm, the long-term availability of saline-free water is probably one of the most worrying factors. But despite this, and the added handicap that the lure of trade and commerce originally drove many traditional peasant folk from the land, the Government is vigorously moving towards its objective of one day making the country self-sufficient in food production.

## Reclamation

Using modern science and technology the Government is making a marked impression on the barren desert and is spending large sums of money on research and agricultural development, aware that agriculture has a significant part to play in controlling the ever increasing import bills for food.

In the north, Ras Al Khaimah has long been the prime agricultural area in the UAE. It was here that one of the first research stations, Digdagga, was set up in 1955. Under the watchful eye of an Englishman it has grown to become one of the most advanced study units in the country. It now has nearly 400 acres under experimental cultivation, an agricultural school which provides tuition and training for students from both the UAE and abroad, and has become known for its famous herd of imported Friesian cattle which produce fresh milk for sale in the northern Emirates.

The farm is presently undergoing considerable renovation to introduce more up-to-date methods to increase local crops of alfalfa (used as animal fodder), strawberries, radishes, cabbages, cauliflowers, onions, melons, marrows, aubergines, turnips, tomatoes and cucumbers. There is also an abundance of dates, grapes, oranges, limes, lemons, bananas, pawpaws and figs.

In Dubai, the experimental farm at Ruwaya has had considerable success in achieving its aim of attracting local Bedouin away from pastoral to settled farming. And in Abu Dhabi, where many of the projects are carried out under the guidance of the local Department of Agriculture, abundant crops are being produced on Sadiyat Island.

Sadiyat, originally established in 1972, played a large part in pioneering methods for growing crops in the UAE's climate and conditions. It is financed by the Abu Dhabi Government and until very recently was a research station run by a team from the University of Arizona. Greenhouses cover about five acres of the island to provide an artificially controlled climate and each individual plant is drip fed.

Only a year after Sadiyat was established it was producing a ton of crops a day—mostly cabbage, spinach, beans, tomatoes and cucumbers. To-day, Sadiyat's Arid Lands Research Centre still produces crops using these original methods although most of Abu Dhabi's agricultural research is now being carried out in Al Ain with French, Japanese and British interests in different projects ranging from wheat growing and afforestation to drip and trickle irrigation and experiments of laying large areas of asphalt under the surface of the sandy soil to prevent water seepage.

It is these experiments with water saving methods which are some of the most important being carried out. With drip irrigation savings of up to 75 per cent. in water consumption have been achieved over traditional flood irrigation methods.

"This is very important to the whole industry in the UAE," said Mohamed Abdul Aziz, the agricultural advisor at the Federal Ministry of Agriculture and Fisheries. "If we continue using water at the present rate and without any controls from a central water resources authority, we are undoubtedly going to face a critical situation within the next five to ten years."

## Water

Even in areas such as Ras Al Khaimah and Fujairah, where there are relatively good supplies of low salinity water from the Oman mountains, salinity levels have been rising at a dramatic rate as farmers use the water from wells too fast and it is replaced by encroaching sea water.

"We have been able to grow crops using water with a salinity level of up to 3,000 parts per million," said Mr. Abdul Aziz, "but in some areas this has now increased to levels of 8,000 parts per million."

Up-to-date production figures are not yet available from the Ministry as they are all being collated by computer in Egypt but it puts a calculated guess at about 55,000 tons of vegetables a year. A figure for how much this production is saving in terms of imports is equally hard to come by particularly as a high percentage (in 1973 it was as much as 45 per cent.) never reaches the markets but is consumed by the farmer, his relatives and friends.

There has been criticism at the vast amounts of money being spent to produce home grown produce but the Ministry is adamant that it is still, overall, cheaper than to import it.

This year the Federal Ministry has been allocated Dh57m. which compares to Dh38.4m. last year and Dh19.8m. in 1975.

A large proportion of this money, and an additional Dh54.6m. in this year's budget for investment in the industry, goes in direct subsidies to the farmers. Many insecticides are free and fertiliser and seeds are sold by the Ministry at half price. Nearly all the farm machinery is Ministry-owned and farmers can call upon it when they need it.

A major priority now is to establish some sort of marketing system to cut out the vast profits that middlemen have been making. Middleman profits for tomatoes, for example, averaged 26.8 per cent. in 1973 but last year the average middleman profit was found to be 57.9 per cent. bringing prices almost in line with those for imported tomatoes.

It has been shown, however, that large profits can be made on the farms. At the French pioneered *Maziad Farm* in Al Ain three sowings of cucumbers under temperature controlled greenhouses produced a staggering Dh1m. profit per hectare and for tomatoes the farm showed a profit of Dh250,000 per hectare.

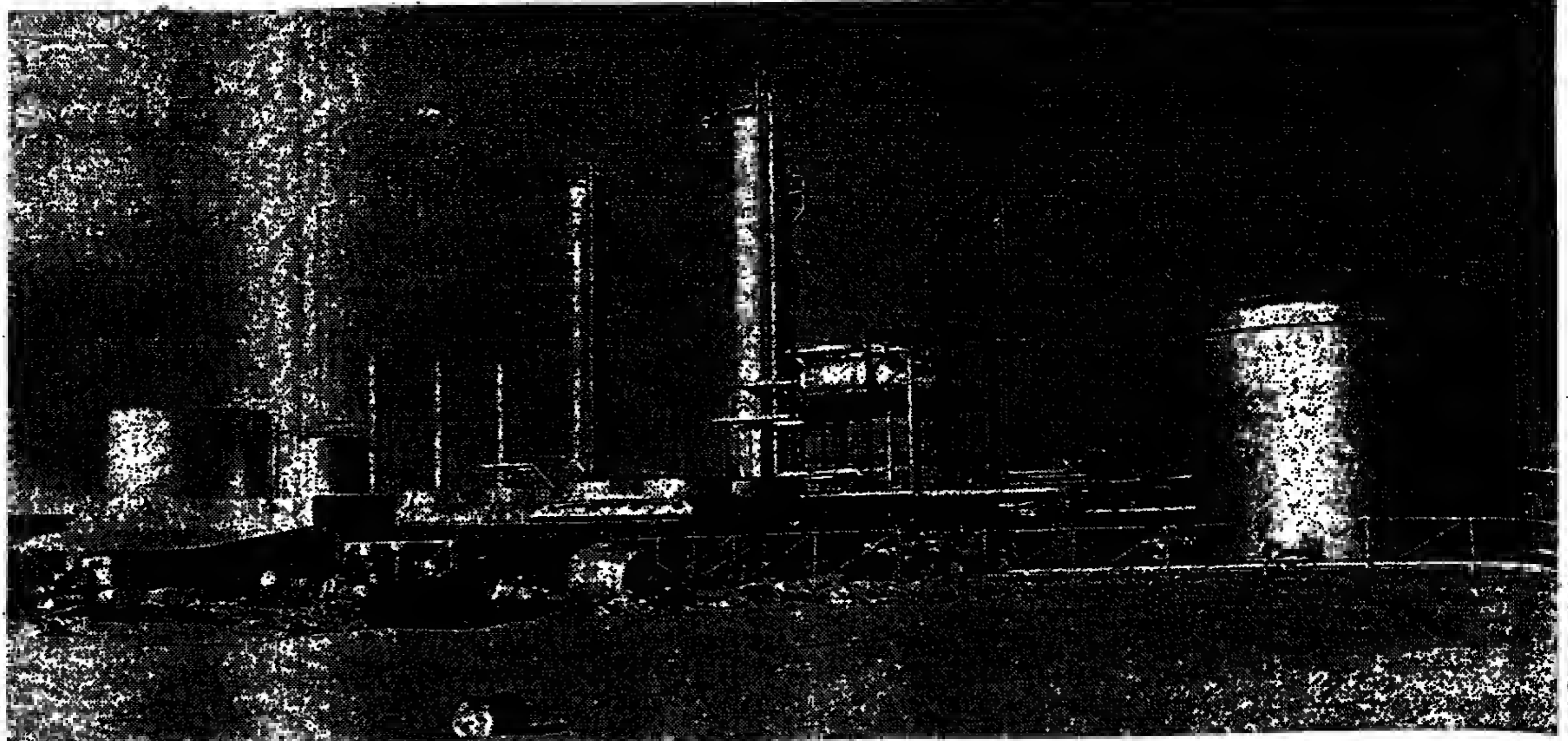
In addition to growing produce the Abu Dhabi Department of Agriculture is pushing ahead with its ambitious afforestation schemes. The reasons are not just aesthetic, it is hoped that it will prevent so much soil erosion and give greater protection from dust storms.

British companies are carrying out £3m. worth of afforestation in Abu Dhabi, one of the largest contracts having been awarded to VEB International which is planting 80,000 trees on a 400 hectare site. Altogether, Abu Dhabi's afforestation programme now covers several thousand acres, as well as numerous central reservations along roads and an expected 200 roundabouts by the end of next year.

How long it will be before the UAE comes near to meeting its goal of becoming self-sufficient in food production remains to be seen but they say nothing succeeds like success and it is almost totally due to the success of the experimental stations and farms that have again begun to make farming an attractive proposition to local residents.

Last year the number of farms in the UAE had increased to 7,756 which compares to 5,687 in 1973 and the total area being farmed was 15,006 hectares.

**Tim Edgar**



*A liquid petroleum gas bottling plant in Abu Dhabi.*

**Unlike most Western countries which regard themselves as suddenly blessed by finding natural gas associated with oil discoveries, most of the oil-rich Gulf countries have been quite happy to dispose of the gas by burning it off on site. Now they are coming to the realisation that this additional scource of energy has an important bearing on industrial development**

# Natural gas

COMPLETION OF tho first liquefiod natural gas plant in the Gulf was marked in April this year by the transfer of ownership of this project on Das Island from a Bermudan-registered company to one registered in Abn Dhabi. The lattor (like its predecessor) is callod the Abu Dbabi Gas Liquifaction Company (ADGLC) and bas a capital of $105m. Tho first shipments in specially built tankers left in March for their destination—the Tokyo Electrical Power Company (TEPCO).

Tho original ADGLC was set up in 1973, and was a partnership of ADNOC, British Petroleum (BP), Compagnie Francais des Petroles (CFP), Mitsui and Bridgestone Liquified Gas Company. In tho middle of 1975 ADNOC increased its share in the company from 20 per cent. to 51 per cont., its current bolding. The rest of tho capital is split as to BP 16.33 per cent., CFP 8.16 per. cont., Mitsui 22.05 per cent. and Bridgestono 2.45 por cent. Early last year the head office was transferred to Abu Dhabi.

The $550m. project was completed in only three years, almost on schedulo, a croditablo achievement in difficult physical circumstances. Tbe contractors were Bechtol and Chiyoda Chemical Engineering. Tho two main offshore fields, Umm Shaif and Zakum, which lie about 100 km. out to sea to the north of Abu Dhabi provide the gas. According to federal statistics, these two fiolds produced in 1975 149,890m. cubic feet of gas, of wbich 117,772m. cubic feet or 78.7 per cent. was flared off.

## Capacity

When fully operational the plant's capacity will total 2m. tons a year nf LNG and 1m. tons nf LPG, with an additional 220,000 tons of light distillate and 230,000 tons of pelletised sulphur. To achieve this level of production tbe allowable ceiling of Umm Shaif is being raised this year, but there remain doubts whetber this field will be able to provido sufficient associated gas for the plant to operate at capacity.

The wbole output is going to ooe client, Tepco, which bas negotiated a floor price of $2 per million BTU (calculated cif) and this in turn will be linked with the price of crude. It has been estimated that the revenue from gas sales to Tepco will amount to about $1m. a day. Tho ADGLC venture permits complete exemption from taxes for the foreign partners for the first five years, and thereafter, with tho exception of ADNOC, they will have to pay income-tax at the rate of 55 per cent.

Tho setting up of a larger schemo at Ruweis to use tho associated gas from the Bu Hasa Bab and Asab oilfioids onshore bas by contrast, been fraught with negotiating problems. In April 1976 agreement on association appeared to have been reached between Abu Dhabl and the foreign shareholders in the Abu Dhabi Petroleum Company which (with internal proportions of BP23.75 per cent., Royal Dutch Shell 23.75 per cent., CFP 23.75 per cent., Exxon 11.875 per cent., Mobil 11.875 per cent. and Partex 5 per cent.) together constitute the 40 per cent. foreign holding in ADPC. Participation in this venture, which according to the outline plans nf the time was estimated to cost $700m., was to be similar to that of ADPC itself: 60 per cent. for ADNOC and 40 per cent. for the foreign group.

Borrowed funds were to have accounted for 75 per cent. of tho investment required, and equity capital for 25 per cent. Thus the foreign companies' equity commitmont (40 per cent. of 25 per cent.) would amount to roughly 10 per cent., or about $70m. nf the total cost. Part of this, up to $50m., would be in tho form of plant and equipment ordered and paid for. This proposed agreement followed some two-and-a-balf years of spasmodic negotiations, during tho course of which it seemed likely on various occasions that ADNOC might go it alone.

Last February, ADNOC decided to do just this, aftor ADPC withdrew. Mr. Manaa el Oteiba, the Oil Minister, complained that the Westorn oil companies nperating the onshore oil concession had "not been showing a very keen interest in the project." ADNOC has been feeling that the companies were seeking to get a large return too cbeaply (an implication which tho companies dony), and thoro was some disquiet within ADNOC that the price of the project had escalatod within two months of the April near-agreement to $1.2bn. In addition, negotiations, chiefly over tho levels of investment, had become bogged down in legal paper and wrangling. ADPC has handed over tho studies of the project (and is negotiating compensation for them). Tho Government of Abu Dbabi has left the door open for individnal shareholders in ADPC to go back and participate in the project, and one or two are believed to be exploring this possibility.

In April ADNOC designated Bechtel and Fluor Middle East (a wholly owned subsidiary of Fluor Corporation of U.S.) as the principal contractors for the two key segments of the project. The $400m. contract awarded to Bechtel covers the design, engineering and construction management for the two main NGL units, while Fluor has been awarded a $250m. contract covering the design, engineering and construction management for the gas gathering network in the fields. On the basis of oil production at the full capacity of 1.28m. b/d from Bu Hasa, Asab and Bab, the estimated quantity to be extracted of NGL would amount to 185,000 b/d (114,000 b/d propane and butane and 71,000 b/d natural gasoline) Associated gas output would amount to 1.07bn. cubic feet daily.

## Breakdown

By fields the breakdown would be: Bu Hasa 690,000 b/d oil, 550m. cubic feet of associated gas, with NGL output of 56,000 b/d propane and butane, 34,000 b/d gasoline; Bab 130,000 b/d oil, 130m. cubic feet associated gas, 6,000 b/d propane and butano, 4,000 b/d gasoline; Asab 460,000 b/d oil, 390m. cubic feet associated gas, 52,000 b/d butane and propane, and 33,000 b/d gasoline. Abu Dhabi has said it hopes to earn $600m. a year from this project, on which work has started and which could be completed in about three years.

In Dubai the only quantity of associated gas not at present flared off is a small amount used by the Dubai Petroleum Company for its gas turbines and gas lift facilities. However, in 1974 Sunningdale Oils of Canada was assigned 15 years' rights to the gas of the offshore Fateh fields. Sunningdale and the consultants and Hudson Engineering of Houston are the main contractors for the construction in the Jebel Ali industrial area of a LPG plant to produce 80m. cubic feet of natural gas for local use. The $250m. plant, for which a loan was signed last month, is to be linked to the fields by a 60-mile pipeline due to be completed in 1978. In addition to the gas, the plant will also produce for export initially 371,000 tons a year of propane, 261,000 tons of butane, and 2.3m. barrels of condensate.

C. Itoh of Japan agreed in April to buy 300,000 tonnes a year of LPG starting in 1979 and this will cover 60 per cent. of the plant's output. As for the gas output nearly all will be used by the aluminium smelter, a joint venture between Dubai Aluminium Co. (Dubai), representing the Emirate, with 80 per cent., and the Southwire Corporation of Georgia (7½ per cent.) Nissho Iwai of Japan (7½ per cent.) and 5 per cent. for local interests. By 1981 the plant will be producing 135,000 tonnes a year, although it is planned that output is to rise later to 180,000 tonnes.

This plant will absorb almost all the gas produced by the LPG plant, and will leave almost nothing over for other projects or domestic use. It is noticeable that the new power stations [illegible] dosalination plants will be [illegible] either fuel oil or steam power, although they have [illegible] facility to turn to gas. It is [illegible] sign of the rivalry betw[illegible] officials believe it highly [illegible] likely that Abu Dhabi [illegible] help Dubai out of what [illegible] like being in the future a [illegible] shortage, once the alum[illegible] plant is in operation, by [illegible]ing it with any surplus.

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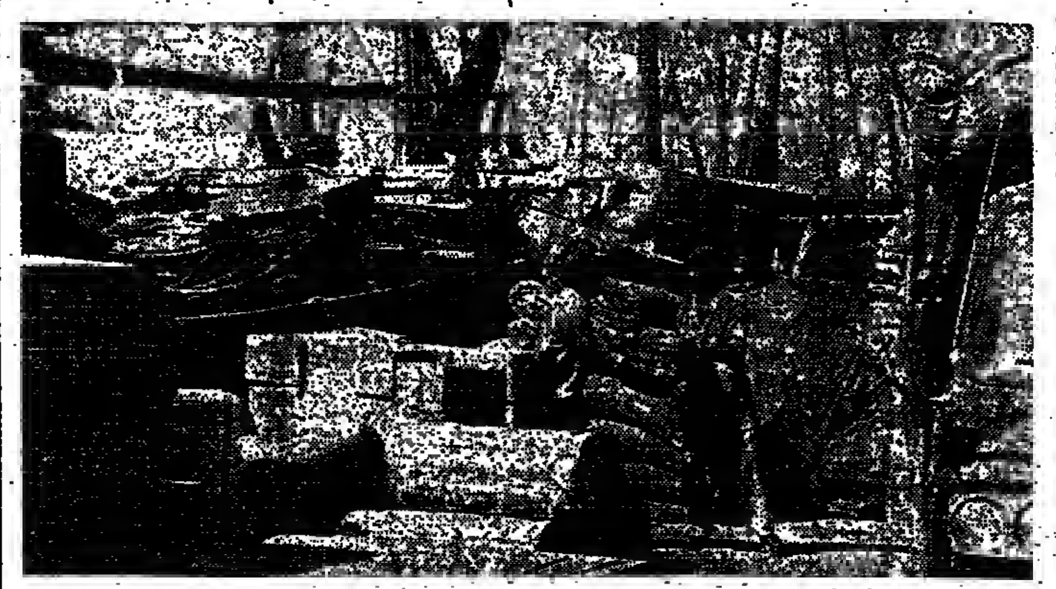
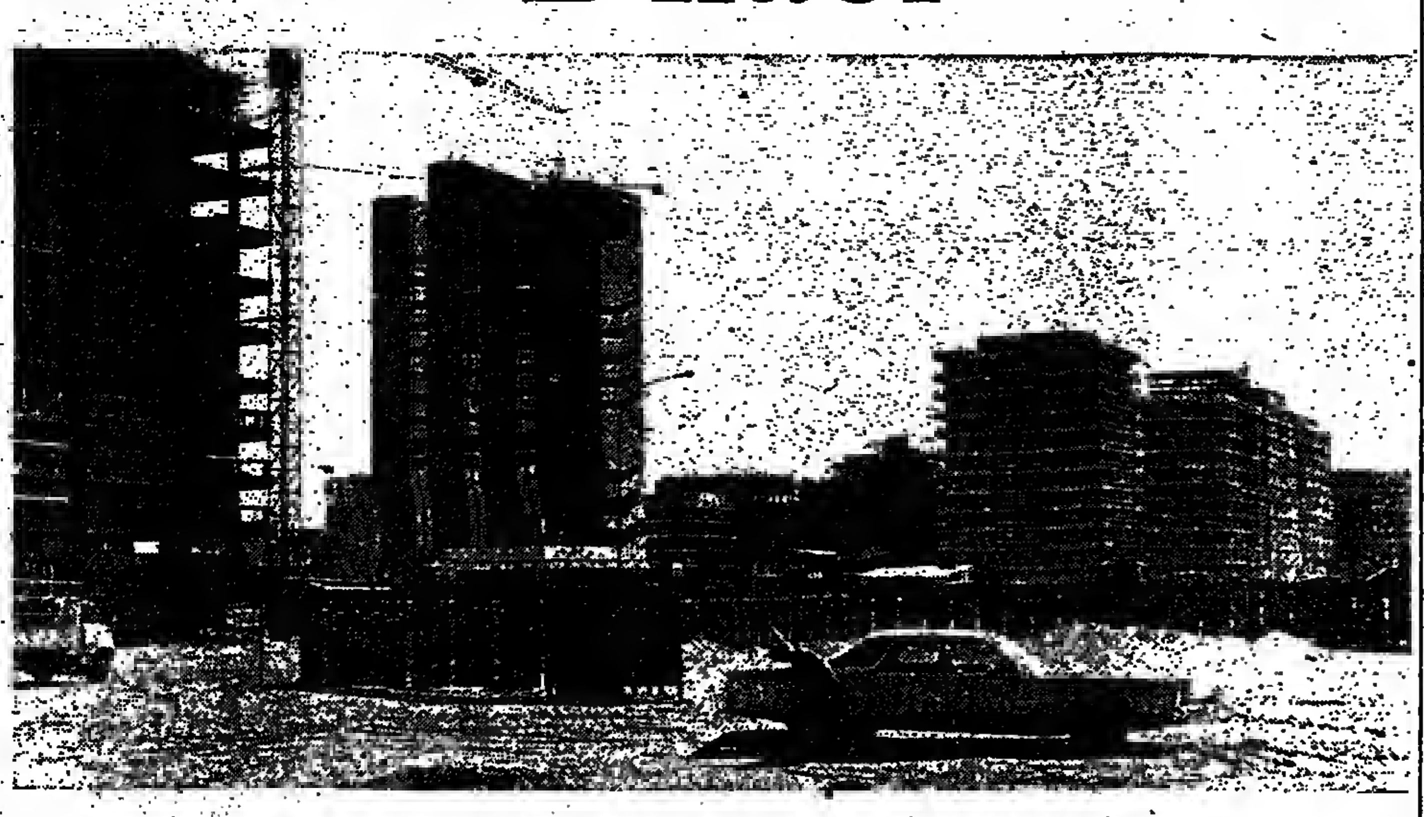


*Fishing boats in Dubai harbour.*

**Abu Dhabi is the pacesetter for development among the Emirates. Indeed, the transformation from a sandy island into a bustling capital centre has been so rapid that perspectives are almost lost. Its vast oil wealth is the main engine driving all this, and the challenge for the future is to secure a viable economy for the day when the oil runs out.**

# Abu Dhabi



*Building work in progress in Abu Dhabi.*

"YOU WOULDN'T believe it, but 12 years ago I always used to drive around with two spades in the back of my Land Rover in case I got stuck in the sand here," my companion remarked. We were driving along a three-lane boulevard flanked on either side by offices and shops in the centre of Abu Dhabi town. "I tell visitors this because few realise just how little there was then. Abu Dhabi scarcely merited being called a town," he said.

The transformation of Abu Dhabi from a small and desolate community into the capital of the UAE has been so rapid that it is almost impossible to gain any perspective of the change. Those who last saw the place five years ago would be amazed at the development that has taken place.

Abu Dhabi has grown up on a flat sandy strip of an island, connected to the mainland by a bridge. But the transformation is such that even the whitish sand, once all pervasive, is disappearing as buildings encroach on vacant space, roads become surfaced and grass is painstakingly nurtured on the sidewalks. One of the only indications of the pace of change can be found in the British Embassy compound. The modest bungalows and the two-storeyed Ambassador's residence is now dwarfed on three sides by tall concrete structures.

Abu Dhabi has grown—and is growing—faster than any other capital in the Gulf. Urbanisation has been so rapid that already the municipality has its eyes on the airport, which will eventually be relocated on the mainland. The population is reckoned to be increasing at the rate of 22 per cent. a year and at the latest census stood at 211,000. The Emirate has now become the most populous State in the federation, overtaking Dubai.

## Bustling

The majority of the population is to be found in Abu Dhabi town. The only other important town is Al Ain, an oasis deep in the desert on the border with Oman. This was where the ruling al Nahayyan family originated, and the family's continued connection with it—and affection for it—have built it up into a bustling community.

Al Ain has been chosen as the site of the Emirate's university, and it is here too that wealthy Abu Dhabians have resort homes where they seek refuge from the humid heat of the capital. The only other inhabited area in this, the largest Emirate, is found the Liwa Oasis. But these are scattered communities of Bedouin tribes, who are becoming increasingly settled, and usually migrate to the coast after the seasonal date harvest.

The rapid increase in population is an inevitable consequence of two interacting factors. As by far the richest State in the UAE, Abu Dhabi has attracted more people—both UAE nationals and foreigners. Secondly, as the capital of the UAE, the population of Abu Dhabi has swelled as a result of the federation's burgeoning bureaucracy, which now has some 24,000 civil servants living there. In the short-term at least this is a process unlikely to be reversed.

Abu Dhabi is now considering the implementation of a $8.7bn. three-year development programme to run into 1979. If this is implemented, local experts reckon that as many as 183,000 new jobs will be created. In other words, if Abu Dhabi is to establish an administrative, economic and industrial infrastructure it could almost double its population within the next four years. Nowhere in the world is such an extraordinary increase in population envisaged. At least 60 per cent. of the new jobs generated will be for unskilled workers.

The indigenous population is increasing at probably just under 3 per cent. a year. Thus the population explosion has been primarily caused by a massive influx of foreign unskilled, semi-skilled and skilled workers. No statistics are available on the percentage of the indigenous population, but it is generally believed to be the lowest in relation to the overall population of any State in the UAE. The general assumption is that under 20 per cent. of the total population is indigenous.

## Foreigners

As a result, all unskilled labour is carried out by foreigners — mainly from the Indian sub-continent. Semi-skilled and skilled work is carried out again by Indian and Pakistanis plus a substantial number of Arabs, with senior managerial positions occupied by Arabs and Westeners, mostly British.

One of the most marked characteristics of Abu Dhabi is the low level of genuine participation by the indigenous population in economic activity. In part this stems from the lack of educational facilities available to the population before the sixties. Still very few Abu Dhabians hold degrees. Indeed throughout the UAE there are only 9,482 students in preparatory and secondary schools, 210 in technical schools and a further 1,236 on bursaries abroad.

Thus there is no way — even in the longer term — that the educational system can supply the necessary people to fill job vacancies, even if Abu Dhabians were prepared to take them. As it is Abu Dhabians continue to show a general reluctance to work outside government (this often means sinecures). They prefer to operate taxis, indulge in property speculation or to be sleeping partners in businesses.

The merchant class is still very small.

The problem is primarily one of motivation. There is no need for an Abu Dhabian to be poor. From Sheikh Zaid's generous royal purse the citizen can obtain low-interest loans or grants for property purchase, or gifts of a car, or import licences. Education is free, as is all medical treatment. In addition, foodstuffs for Abu Dhabians are subsidised.

Whereas some civil servants might feel their pay does not match that of the private sector they themselves are comfortably off; and everyone realises that the State is in a position to pay foreigners for whatever is required to be done. Every visitor who comes to Abu Dhabi is struck by this situation. In the short term it is merely a phenomenon; in the longer it is a problem.

The essential challenge that Abu Dhabi faces is how to spend its vast oil wealth wisely to ensure a viable future once the oil runs out. Last year published receipts from oil were $4.7bn., or 96 per cent. of published revenues. But this figure belies Abu Dhabi's real income. It ignores income that accrues to the State oil company, ADNOC, from its 60 per cent. share in the main producing areas.

The receipts recorded from ADNOC merely reflect the taxes paid at 55 per cent. ADNOC's actual profits are paid over to the newly created Investment Authority after retention for working capital and deductions for operating costs. Further oil receipts from the foreign oil companies represent the total after deduction of the Ruler's share, believed to be about 7 per cent. These funds form part of the Royal purse. Thus total income is more in the region of $8.5bn.

The advantages of such a huge income should not obscure the problems. The Emirate has a one-resource economy. Experiments have been conducted with agriculture but these have merely proved that fresh vegetables can only be produced at uneconomic costs. Unlike Dubai, Abu Dhabi has no real merchant tradition and the development of such service industries as banking have merely been a product of the vast sums of money in circulation rather than the extension of existing skills.

Moreover, given the small indigenous population, any development is limited by the extent to which the Government wishes to import labour and skills. Thus the options are limited and extend primarily into development of hydrocarbons and hydrocarbon-based industries, plus the natural expansion of the infrastructure necessary for a modern State.

Government expenditure has risen from $190m. to $4.7bn. in six years. Roughly one third of this was earmarked for spending outside the Emirate. This reflects in part Sheikh Zaid's strong commitment to the federation and Abu Dhabi's very generous foreign assistance programme. Abu Dhabi has been underpinning the federal budget to the extent of over 90 per cent. whereas 29 per cent. of the Emirate's published receipts is devoted to foreign assistance—mainly grants and capital payments.

But of course the absorptive capacity of the local economy is strictly limited. No matter what has been budgeted it would have been difficult for the economy to absorb much more than 60 per cent. of total receipts, even though inflation was dramatic.

The development plan is the first attempt at co-ordinated planning. The services sector and industry will together account for almost 80 per cent. of total expenditure. The services sector includes such items as housing, transport and telecommunications; industrial development relies primarily on petrochemicals and natural gas liquids. Parallel with this plan, U.S. consultants Arthur D. Little recently handed over proposals for the industrialisation of Ruwais, sited on the coast about 200 km. west of Abu Dhabi town near the crude oil loading facility at Jebel Dhanna.

The proposals cover projects to be implemented over the next 12 years or so. The essential elements—including infrastructural items such as a new port and airport—would be a natural gas liquids (NGL) plant, a 240,000 b/d refinery and an ammonia/urea plant with an eventual capacity of 3,000 tons per day of each product. The refinery and the NGL plant are already agreed.

## Brake

The development of Ruwais will create a new centre of activity, and could act eventually as a brake on the expansion of Abu Dhabi town. Ruwais itself is likely to have a population of 85,000. But what is not clear from the Arthur D. Little proposals and the first plan is the extent to which any consideration has been paid to other projects within the UAE. The short answer to this appears to be—little, if any. Wasteful duplication or unnecessary competition is a charge frequently levelled within the UAE at the various Emirates, vying with each other over repetitious prestige projects. On the other hand little consideration is often given to the alternatives available.

The choice is not an easy one. Abu Dhabi can seek to co-ordinate closely all its projects, not merely within the UAE but also with neighbouring Qatar and Saudi Arabia. But to do this now, when the UAE is still in its infancy, implies a loss of sovereignty over future resources which is probably unacceptable. This consideration outweighs any advantages of genuine co-ordination. Sheikh Zaid also appears to believe, and with some justification, that his State is wealthy enough not merely to carry out its own development but also to bankroll the others in the UAE, letting them develop their economies as they wish.

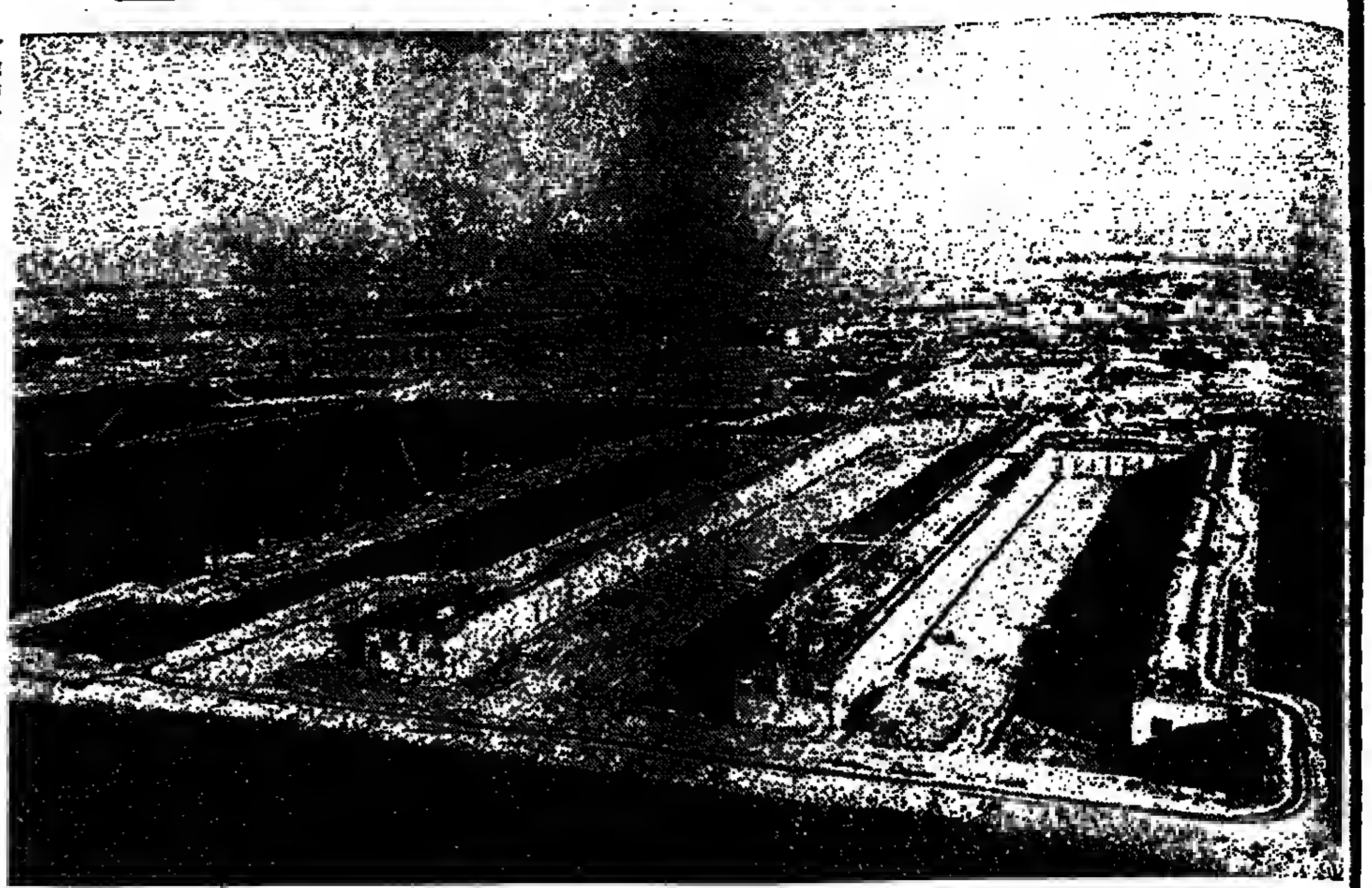
The determining factor in development in any case is likely to be something completely different—the amount of skilled and unskilled labour required. Abu Dhabi has to decide whether it really wants to pay the social and political price of broadening its economic base. Does it want to double its population by 1980 and so further diminish the proportion of the indigenous population? Until now no one has really faced up to this problem. Sooner rather than later it must be tackled.

**Robert Graham**

# UNITED ARAB EMIRATES VIII

**Long before its oil revenues began to soar Dubai was an established mercantile centre of the Gulf. This older tradition gives it a special aura and a cosmopolitan harmony which is not found elsewhere in the region. But as a result its society and economy are entering a phase of sophistication where priorities are less easy to select.**

# Dubai



*The Dubai dry dock complex, being built under a £162m. contract by the Costain-Taylor Woodrow Joint Venture, will be able to handle tankers up to 500,000 d.w.t.*

MORE THAN any other part of the UAE, Dubai gives the impression of having grown up with its wealth gracefully and naturally. The bustle on the Creek which divides the twin towns of Dubai and Deira, and where dhows and launches ply busily, gives the Emirate real character. It has too a cosmopolitan atmosphere. Although the natives of Dubai may constitute only 20 per cent. of the population, it has been a work place and haven for expatriates from Asia, the rest of the Arab world and Britain for so long that there is a harmony not found elsewhere in the Gulf.

This maturity stems from a number of factors. First, the discovery of oil and the inflow of large-scale funds came as a welcome addition to an economy which had been flourishing already—and this is still its main role—as the leading entrepot centre not just for the Emirates but also for the whole Gulf. Secondly, Dubai is still compact enough to operate very much as the fief of Sheikh Rashid bin Said al-Maktum, the Ruler. But as he sits in the corner of his majlis in his modest palace overlooking the Creek, beside a single telephone and puffing a pipe with a tiny bowl, he remains for many hours a day accessible to all and sundry, Dubian and foreign. Thirdly, his approach to business is extremely direct, with a minimum of red tape, so that trusted contractors are able to start their projects before final contracts have been drawn up, and complete them correspondingly ahead of schedule.

Furthermore, so far Sheikh Rashid's commercial and economic intuition has been impeccable. Officials in Dubai recall with glee the way Sheikh Rashid overruled professional advice that the port of Dubai should not be expanded beyond a certain limited size—and has proved himself right several times over. For the expansion of the port and the dredging of the Creek has enabled Dubai, in spite of competition from Abu Dhabi and elsewhere in the region, to retain its position as the leading centre for imports, exports and re-exports.

Dubai's total income for 1976 has been estimated at £1bn., so it is able to pay spot cash for some of its development projects and without too much difficulty raise loans for others. Its future looks comfortably assured. At the same time, because Dubai's development has been going on longer than in other Emirates, it is reaching the position which Kuwait has already begun to confront. Many of the basic facilities are in place—such as roads, a superb hospital, the port and airport—and were easy to select. The priorities now become more complicated to select.

## Favourably

Politically this has become apparent at two levels. First, Dubai prides itself on its slim bureaucracy and compares itself favourably with the federal capital, Abu Dhabi, which it sees as grinding along under the laborious weight of bureaucracy. Dubai is a little more grudging than it should be of the benefits of the federation of which Sheikh Rashid is Vice-President. It has still to make more than a token contribution to the federal budget, yet the federation provides both a defence force and a diplomatic source, and also, most important, in the last resort the bulk of Dubai's foreign currency.

This year the licensing of the Union Bank of the Middle East and of the Emirate's National Bank in contravention of the Currency Board's moratorium, followed by the collapse of two local banks, and the still unresolved border dispute with Sharjah (one of the reasons for Sheikh Zayed's discontent with the Presidency last year) all have deep political implications for relations between Abu Dhabi and Dubai.

The second political aspect involves Dubai itself. The energy and acumen of Sheikh Rashid—whose interest in development projects, for example, is such that he frequently drops in unannounced to inspect here, question there and generate enthusiasm everywhere—is undiminished even at the age of 70. But as Dubai develops it inevitably becomes more complaxe to rule and the need for delegation becomes more pressing.

To some extent this has taken place already. The municipality and its 30-man council, appointed by the Ruler, runs all the services (and is kept on a tight financial rein by Sheikh Rashid) and has a budget this year of Dh.1.2bn., which has increased from a mere Dh.40m. in 1975. Its structure is similar to that from which Kuwait evolved before the closure of the assembly last year. If this sort of formal structure does emerge, there will be a conflict of interests as the federation ettempts to build up a greater degree of federalism.

The economy is now entering a third and distinctive phase. Until oil exports began in 1969, trade—the first stage—was the main source of revenue. Dubai's population of about 200,000 makes it a comparatively limited market, but since 1970 alona trade has risen tenfold. Imports last year totalled Dh.9.5bn. (with Japan, Britain and the U.S. the main suppliers). Reflecting the development of the economy, consumer goods, although maintaining a large share of tha market, are expanding more slowly than capital goods.

In addition, an increasing proportion of imports is remaining in Dubai. It regularly imports twice as much as Abu Dhabi and takes over 70 per cent. of all the imports of the UAE. As an export and re-export centre, business totalled Dh.1bn. in 1976, three times more than in 1974, and Dubai's function can be seen easily from the fact that the main destinations of "exports" were Saudi Arabia, Iran, Qatar, Oman, Kuwait and Bahrein. The gold trade has declined to a trickle compared with hte heyday of the late 1950s.

The second phase of economic development might well have come in any case if trade had remained the main source of income. It has been speeded up by oil. Official statistics show that income from oil has risen from Dh.386m. in 1971 to an estimated Dh.5.2bn. last year. Dubai is secretive about the estimated life of its oil reserves but they could be for the comparatively short period of 15 years. In this sphere, as in others, Dubai has tended not to co-ordinate its policies with the federal government. In July, 1975 it announced a 100 per cent. "takeover" of the Dubai Petroleum Company, while Abu Dhabi has only a 60:40 arrangement.

Dubai is now embarking on the third and most controversial phase of its development. Oil has made a new generation of industry and major projects possible through the revenue and associated gas supplies. At first projects were connected with the development of Dubai city itself or were related ventures such as developing the port and the £162m. dry dock. Dubai is also building a cement factory and a giant Trade Centre costing £110m. But at the industrial aree of Jebel Ali, a huge port costing £500m. is being gouged out of the coast, and an aluminum smelter costing £350m. and a gas liquifaction plant costing £425m. is being constructed. A steel mill and refinery are under consideration.

There is much confidence in Dubai thet these projects will be profitable and not white elephants, and that the Emirate is capable of making Jebel Ali more competitive than Abu Dhabi's corresponding industrial aree of Ruweis. Finance does not seem to be a problem. The total cost of all the major projects Dbuai has in mind, ranging from industry to infrastructure and social amenities, amounts to just over £2bn.

Morgan Grenfell, which has set up most Dubai loens, reckons that debt servicing repayments would amount to $40m. this year, reach a peak of $176m. in 1979, and thereafter fall off to $108m. in 1981. Since those calculations were mede more loans have been cootracted, but Dubai's debts are still reckoned to be containable, making the Emirate easily eligible for further loans.

The signs are there that the economy will need to be taken under firmer control in future. The most obvious area is banking, where loose habits have developed—a point dramatically underlined by the crisis involving the Janata Bank and the Ajman Arab Bank. At present banks are regarded in soma cases as status symbols rather than serious vehicles for finance. Inflation is running at an estimated rate of 25 per cent. The property market is displaying signs of getting out of control, with rents rising at exorbitant rates, driving residents away. A two-bedroom flat in Dubai could cost more than Dh.45,000 a year, but its equivalent ls Sharjah, ten minutes away by car about Dh.10,000 less.

Inevitably the nature of Dubai is beginning to change. While it can boast some of the best established social services in the Gulf, the speeding up of the economy and the attendant influx of foreigners has put serious strains on the services which the Municipality runs. Town planning is only now becoming truly comprehensive, and co-ordination between all the above and below ground essential services regular.

The size of the challenge is formidable, as the sewage system indicates. At present 37 square kilometres are served, but there are plans to extend this to 205 square kilometres. Population planners estimate the annual growth rate at 10 per cent., although because of the number of illegal immigrants this is probably an underestimate. By the end of the century Dubai's population could be 800,000, four times its present size.

Already sewage disposal is posing severe difficulties, and by the end of next year, according to current estimates, Dubai will be needing 23m. gallons of water a day. This will be coming close to the limits of daily production of water extracted from the sweet water wells in the Awir fields, which at present amount to 13m. galloos a day. By the end of 1979 some of the pressure will be relieved by the Jebel Ali desalination plant which will be producing 40,000 tons of water a day.

## Criticised

It is the breekdown in the telephone and electricity services and the wait to get telexes installed that predictably are often criticised. But in the circumstances, Dubai is undoubtedly coping better than its neighbours. This is particularly the case with tha health services. In 1973 the superbly equipped Rashid Hospital was opened. At present in Dubai there are 500 beds available in the three main hospitals, but Rashid Hospital is being extended and in 1980 another complex costing £50m. and with 630 beds will be ready.

The main endorsement that Dubai is flourishing has come from the numbers of foreign residents, though exact figures are hard to come by. A censua in 1968 suggested that Iranians made up 35 per cent. of the population, Pakistanis just under 20 per cent., and Indians about 13 per eent. These proportions have probably altered since towards Indians and Pakistanis forming higher proportions as a result of the increase in construction work.

Britons continue to play key roles, not just as contractors such as Costains, Taylor Woodrow and Bernard Sunley, which are in charge of the major projects, but also as advisers to the Shaikh and heads of the main government departments.

Controls on immigration have become stricter since it becama a federal responsibility. Nevertheless, neither Bernard Sunley nor Costain had difficulties in importing workers—2,000 for the Trade Centre and 2,500 for the dry dock. But there are three main difficulties for immigrants. Now that it is harder to get in, the risks of illegal entry are higher, and last September 30 perished when police intervened as an illegal trader tried to land 1,000 off Fujeirah. The second is accommodation. On the outskirts of Dubai are two towns, too well organised to be rated "shanty towns" but still constituting sub-standard housing, which contain about 50,000 people, mainly illegal immigrants from India and Pakistan.

Thirdly, even legal immigrant workers have few rights. There is a Workman's Compensation Ordinance of 1965, but it is rarely if ever applied. Strikes are illegal, but it is interesting that the last time there were disturbances or strikes on any stage—by sewage workers and at the dry dock—instead of, as in the past, deporting all the those involved, Dubai, because of its need for labour, deported only the ringleaders.

There is no evidence to suggest that Dubaiians are changing their cosmopolitan attitude towards foreigners. If there are eny shifts, they are towards the policies of Abu Dhebi and Kuwait, where foreigners setting up businesses require a local partner by law.

Dubai is undoubtedly facing challenges of an increasingly sophisticated nature as it develops. In many ways the most fundamental will be the evolution of its relationship towards the central government. But Dubai's great advantage over its other partners in the UAE is its more broadly based economy and its self-confidence and tolerance, which should make the process of adaptation a less testing experience than it might otherwise be.

A.McD.

هكذا منه الأصل

# UNITED ARAB EMIRATES X



**Compared with fellow member States like Abu Dhabi or Dubai, Sharjah is going through its early and somewhat explosive stages of development. This is reflected in the building boom and in major projects at the port and airport. What may give the Emirate lasting attraction for the future, however, is the care for environmental needs.**

# Sharjah

THE question most frequently asked about Sharjah these days is: "What is going to happen when all those blocks are finished?" Sharjah's skyline is a jungle of construction cranes with whole streets being built, creating thousands of new offices, apartments and hotel rooms. Already the "To Let" signs are in abundance, phenomenon hitherto unknown in a country where apartments are usually taken three months in advance of completion.

All over the country the property market is undergoing change. In Abu Dhabi there is going to be more to choose from, but the capital is where the bulk of the thousands of new Government employees will live. In Dubai, potential tenants can afford to turn down offers of apartments, whereas in the past people grabbed the first empty flat they could lay their hands on.

However, Sharjah's boom is only about three years old, its streets and buildings are glaringly new, and the property market recession will inevitably be more obvious there. Sharjah businessmen put all the gossip about the subject down to "Dubai worry-mongering," inspired by Sharjah's commercial rival and neighbouring Emirate.

Certainly it needs to be put in perspective. The raison d'etre of living in Sharjah still exists—it is cheaper and a more pleasant place to live than Dubai. Even if rents do decline to as much as 30 per cent.—which is highly unlikely—it will only mean that the repayment period will lengthen from three to four years. A few banks which have been investing heavily in the local property market may feel the difference, but there seem to be no worries that there will not be enough tenants to fill all the blocks. There has been little or no reduction in rents as yet, only a halt in the rise of prices. The elementary economic law of supply and demand is at last beginning to work in favour of the tenant for the first time in the UAE's history.

It is not surprising therefore that Sharjah recently announced that all rents are to be frozen until the foreseeable future. It cannot afford prices to increase even steadily, if it is to be sure of filling the empty blocks and maintain its competitive prices.

Sharjah's relatively late boom can be dated back to the discovery of oil offshore, and though its income is relatively modest, the Emirate has been buoyed by the rise in prosperity in the UAE in general, and the confidence which the Emirate and its Ruler, Sheikh Sultan, derive from the support of Abu Dhabi. Its oil income is shared 50 per cent. with Iran following the 1971 compromise over conflicting claims to the island of Abu Musa and a further 30 per cent. of Sharjah's share is paid to Umm Al Qiwain, which also disputed ownership of the offshore waters concerned. Thus, Sharjah only gets 35 per cent. of the revenue from the Mubarek field. With receipts per barrel estimated at $7-$8 and output currently running at 35,000 to 40,000 b/d this means an oil income of $35m. at the most. Drilling is to begin shortly on another well, to add to the four already in production.

## Venture

Onshore, the joint venture established between the Pinnacle Gas and Oil Company and the Nicklus Drilling Company of Houston has begun drilling the first two wells in its concession in western Sharjah. According to the agreement the venture is committed to dig three wells each 16,000 feet over the next two years at the rate of one every ten months. However, sources indicate that the companies hold out hopes of finding oil at 8,000 ft.

Recently, Sharjah has taken up with the Eurodollar market, and is soon to receive $60m. from foreign banks. One facility for $40m. was recently raised through an internationally syndicated loan arranged by Anthony Gibbs, Morgan Grenfell and Arab Morgan Grenfell. Another, for $20m. and this time for a specific project, was recently raised by Grindlay Brandts. This was shared among four participating banks, Grindlays, Lloyds Bank International, Security Pacific and BAII. The money is to pay for Sharjah souk a truly spectacular shopping complex designed by White Young and Partners of Britain. The 600-shop complex is a prime example of Sharjah's design-consciousness.

Sharjah's own banking community has also played its role in the development of the Emirate, often raising small loans itself for the local government. The finance for the Holiday Inn Hotel being built in Sharjah was raised in such a manner.

Two major projects that have really put the Emirate on the map in the last year is the port and the airport. The Mina Khalid port in Sharjah is the Gulf's first fully operational container port, and unlike Dubai which functions as a warehouse port, Sharjah is run on a strictly direct delivery basis, with punitive rates of storage applying after 60 days. Management of the port, as with the east coast development, has been entrusted to Seatrain Gulf Services SA, an affiliate of the American container operator. The terminal has already attracted services from the Far East, Europe and Britain, and is fully equipped with two 30-ton Seacontainer gantry cranes.

## Transit

The port is being run on a strict commercial basis, not merely as a facility for the local merchant community, and its rates are more expensive than Dubai's. However, the speedy transit of cargo through the terminal has stimulated a great deal of local interest, and more than half of the goods being handled there are destined for Dubai, instead of the other way round as it was for years before.

Khor Fakkan, the east coast development, is perhaps Sharjah's most promising project. This coastal village has a natural deepwater harbour and a two-berth container terminal with a large back-up area is being constructed there. The new port will have one unrivalled advantage, for large container vessels will be able to offload cargo there for onward shipment by road or by feeder vessels, without the necessity of passing through the very congested Straits of Hormuz. Such a development will cut steaming time considerably and will undoubtedly be attractive to international container operators anxious to get in on the Gulf container trade.

Sharjah's new airport opened at the beginning of this year, and though it has registered remarkable gains in traffic compared with the old facility, many international airlines have hesitated to use it for fear of being "blacked" by rival Dubai. With its much smaller market, Sharjah cannot compete directly with Dubai, which is well-established as a major business and transit centre. Nevertheless, its new facilities have attracted a number of customers new to the OAE.

The operators of the airport, who also manage Frankfurt Airport, have put emphasis on cargo and have already been remarkably successful. In the first four months of this year, the airport has already handled around 2,000 tons, which compares with a capacity for storage and warehousing of 7,000 tons a year. Plans are going ahead for a doubling of capacity as envisaged in the original designs.

A number of specialised airlines are conducting highly successful operations from Sharjah. One, for instance, is bringing in frozen meat from India and after reconverting the aircraft flying Indians back home on holiday. An additional attraction for freight carriers is the fact that the airport authority allows airlines to handle their own goods in their own warehouse.

As for passengers, the airport has handled 1,465 arrivals, 1,719 passengers in transit and 1,597 departures during the first three months. That averages out at about 50 a day. The figure is not high in comparison with Dubai's 1.3m. a year, but there are hopes that once a major airline takes the plunge and adopts Sharjah, the rest will follow. The airline's fear of being barred from Dubai's facility will be tested shortly with the commencement of operations by Air France in November. A number of charter airlines have also expressed interest in Sharjah.

It is not just these two recent additions to Sharjah's infrastructure that have attracted so much business interest. Rather is it the "Sharjah formula" of a streamlined bureaucracy, lack of red tape, absence of taxes and cheaper rents. Free advice is available to incoming businessmen on how to establish themselves and local partners. Unlike the Abu Dhabi and Dubai the Emirate makes a sales pitch to attract newcomers. Elsewhere, businessmen can find themselves tied up for months in endless bits of paper, scores of signatures and necessary permissions from elusive bureaucrats. Sharjah's Ruler is also reasonably accessible to businessmen. Land is also allowed to be sold to Arabs of any nationality, undoubtedly a reason why the emirate has over 600 Lebanese owned establishments.

Sharjah is also a pleasant place to live. Much thought has gone into urban planning. The whole town has been partitioned off into green zones and industrial areas; hotels being built there are in many instances located on the beach, while others are lining the shores of lagoons.

One of the most exciting projects is the Boorj Avenue which Sharjah hopes to turn into a pleasurable mini "Wall Street." All banks in Sharjah have been encouraged to move into the avenue on the ground floors of the 12 blocks under construction. Above will be shops, restaurants, offices and flats. They are being built in groups of four, each linked by air-conditioned walkways. The main street has already been planted with trees and shrubbery. When completed the Boorj will prove a very desirable place to live, work or shop in.

Some 30 hotels are under construction in Sharjah to provide 4,000 rooms, all but a few of them in the first-class category. The operators include the world famous names in the hotel industry such as Intercontinental, Holiday Inn, Trust Houses Forte and Novotel and Air France. A bungalow complex shortly to be completed will be run by Prince Alphonso of Spain's Marbella Club. However, at the moment there is a chronic shortage of such accommodation for the visiting businessman. A "flotel" — or moored liner — operated by Holiday Inn opened recently to cope with the demand.

## Tourism

Sharjah is looking to tourism to fill up the hotels under construction, and though on the surface there would seem few possibilities in this direction because of the high prices and great expanses of uninteresting desert, it is seeking to attract the specialist adventurer. Lufthansa is now putting the finishing touches to a report commissioned by the Ruler and has outlined various suggestions including desert tours, falconing, Bedouin feasts and diving. The east coast holds the greatest possibilities for tourism, having miles of unspoilt, unpeopled and unpolluted beaches. Tours for skin-divers could be very popular for the area offers acres of breathtaking coral gardens in crystal clear water.

At present these jewels of the east coast are known only to a handful of long-time expatriate residents of the area, whose only hope is that such places will not develop into a kind of Arabian Riviera. So long as hotel prices remain at $70 a night their paradise seems unlikely to be threatened.

**Kathleen Bishtawi**

*A model of Boorj Avenue, Sharjah's mini "Wall Street," construction of which is now under way.*

هكذا منه الأصل

**The four small northern Emirates all live in hope of discovering the hydrocarbon deposits which could give them some of the wealth of their southern neighbours. However, they have other attractions, mainly as the leisure resorts of the UAE.**

# Northern Emirates

AS AL KHAIMAH, Fujarah, jmen end Umm al Qiwain pre- nt a pleasant contrast to the ore feverish atmosphere of bu Dhabi, Dubai and Sbarjah hich are profiting directly and ibstantially from the petro- um wealth of the Federation. very week-end the roads to the rth and the east are conges- d with the traffic heading for hat is the most beautiful part the country. Relatively un- oilt it offers a merciful release r nationals as well as expatri- es whether they want to pic- c, camp, snorkle or just unge. Ras al Khaimah, in par- cular, manages to stay a sem- ance of green all the year und while the east coast offers hite beaches stretching for iles.

Yet they, too, have their own oblilons and are developing pidly. They have derived eat benefits from the federal nds which have given them tter road communications, her infrastructure projects, proved public utilities end lucational facilities. Mean- hile, es oil companies continue prospect for oil, they live hope of commercial dis- veries and their own source petroleum income. In the ur northern Emirates explora- on has so far proved to be expensive and so far un- warded exercise. Their Rulers main dependent on the punty of Abu Dhabi for evelopment of their infra- ructure, but in striving for eater self-sufficiency are ok.ng increasingly to the out- de investor for the commercial lvancement of their terri- ries.

Hence in these States regula- ons concerning the ownership land—which are stringent in bu Dhabi and Dubai—are uch more eccommodating to itsiders. The inflow of capitel om elsewhere in the Gulf, irticularly Kuwait, has been ibstantial and directed mainly wards real estate. In the ocess prices paid for tracts fairly remote desert bave en forced up as high as h.45 (£7) per square foot. roperty speculation, in itself, owever, will not bring lasting onomic gains. And, while the ilers of the poorer Emirates, ntinue to place their hopes ainly in the discovery of oil, ey have also diversified into her promising enterprises as ell.

Ras al Khaimah so far has e greatest reason for optimism out an income from petroleum the future. Oil is flowing om e structure in the southern fshore area where a second ell is to be completed in the ar future. The strike made Vitol Petroleum of the etherlands, the leader of a nsortium with many members, as only a modest one giving elds of 2.000 barrels a day om each of two structures. nce then Deminex, the West erman company, has taken er the share of the Dutch ncern and operator of the con- ssion is Deutsche Schachtbau West Germany. In the orthern zone the results from nother "wildcat" are currently ndergoing study. Ras al haimah's offshore waters are eep and the cost of drilling there expensive. Onshore Crystal Oil, together with Norsk Hydro, are the concessionaires, but so far they have bed nothing encouraging to report.

## Ras al Khaimah

Ras al Khaimah's principal productive sector is agriculture. Increasingly, the Emirate is providing a greater proportion of the country's food bill, thanks to the slightly wetter clime that prevails in the Emirate. Another important activity is the production of aggregates for construction.

The Union Cement Company, a Norwegian operated plant jointly owned by the Ras al Khaimah government, Abu Dhabi and UAE investors, also uses the local rock to make cement. There are plans to produce special high strength material for use in the oil in- dustry. The plant's capacity is at present ebout 700 tons a day although a major expansion to increase output to 2,900 tons daily will start shortly when e Eurodollar loan for $100m. has been subscribed. Kuwaiti interests are also planning a further cement factory to pro- duce 3,000 tons a day for the Kuwait market.

Other developments in the Emirete include a 250-room hotel which is being built in the town and is financed by the Ras al Khaimah Government. It is to be managed, when com- pleted in two years' time, by Intercontinental Hotels. It will have a purpose-built marina for about 50 yachts and full conference facilities. Yet another luxury hotel is planned on a beach just outside the town and is being built for a number of local merchants. It is thought that the American concern, Marriott Hotels will be the operators.

The major project is the seven-berth port which is being carried out by Archicat at s total cost of Dh.450m. It will consist of 800 metres of cergo berths, 450 of which will be for containers and 220 metres for "dirty" cargoes such aa rock and cement. The whole com- plex is designed by Halcrow (Middle East) and will be managed by Gray Mackenzie, the operators of Port Rashid in Dubai. The two container berths, conceived late in the project, will be fully equipped with gentry cranes and will heve a large back-up storage park. Already the project has stimulated interest from ship- ping lines anxious to get in on the growing Gulf container trade including Menchester Liners of the U.K.

The Emirate's new airport, which opened a year ago amidst a great deal of sceptism. is painstakingly gaining traffic. Kuwait Airways calls there twice a week now, and Syrisn Arab Airlines are planning a weekly service. Middle East Airlines have also expressed interest in calling at Ras al Khaimah. Gulf Air, in which the UAE has a stake, has yet to become one of the airport's customers.

One of the latest acquisitions for the Emirate — built almost in anticipation of the heralded oil wealth — is the new £6.5m. earth satellite station. Linked to the Intelsat Indian Ocean satellite, it is owned by the Ras al Khaimah Telecommunica- tions Authority which is being managed by Cable and Wireless. At the moment, RAKTA is not a member of Emlrtel, the UAE telecommnnications euthority, though it is likely that the authority will join later.

Ras al Khaimah prefers to pay for its nwn projects and then be seen to be handing them over to the Federal Government, thereby paying respect to federal authority while retain- ing an appearance of independ- ence. With a present total of only 700 telephone subscribera in the Emirate (another 2,000 lines are being installed now) the Ras al Khaimah earth satellite station will provide a useful addltioo to the UAE tele- communications set-up which currently relles on Dubai's Jebel Ali installation.

## Fujairah

Fujairah hopes that oll will be fouod in this remote Emirate, which is perhaps one of the most beautiful areas of the country. Reserve Oil and Gas of Denver, whose concession agree- ment dates from before the formetion of the Federation, bas finally started drilling in lbe waters adjacent to the seasidc village of Dibba. Troublesome difficulties with shale heve been reported by the compeny which heeds a consortium of seven U.S. concerns, and is committed to another two wells.

Fujsirah remains the poorest Emirate end the most depend- ent on federal funds for its development. At the present time, Sheikh Mohammed al Sharqi, the young Ruler, is still trying to hold out against chang- ing the law on ownership of lsnd, to keep his territory from falling into the hands of foreign investors. But bia business ad- visors are pointing out thet the only way to encourage commer- cial investment in this, the re- motest Emirate—to telephone Fujairah, you still have to go through the international oper- ator—is to allow foreigners to own land there and Sheikh Mohammed may well be con- vinced. Aa it is, Fujairah re- mains a paradise of whlte beaches edged by blue moun- tains and date palms, where the principal activity of its citizens is still fishing.

The 29-year-old ruler is attempting to attract tourists to the area. Under construction is a 110-room hotel finsnced by the UAE Development Bank aod to be managed by the Hilton group. The Dh.30m. hotel situated on the beach will have tennis courts and swimming pools. Already tbe Emirate boasts one small hotel, operated by Lebanese.

The largest project under con- struction in Fujairah ia Garden City, a complex of 400 luxury villas, hotel, night clubs, yacht marinas, cinemas and other recreations. Associated Gulf Consultants of the U.K. bas drawn up the plans, but as yet no firm agreement has yet been signed by an operator for the complex. The Government wishes to tie up a complete package whereby the complex could be leased for a certain number of years until reverting to Government ownership. There la at the moment no luxury accommodation in the Emirate. With an incressing number of expatrialcs residing and visiting there, the need is becoming acute.

## Ajman

Ajman is the smellest Emirate in the UAE. Yet, though without any oil income it has prospered because of its proximity to Dubei and Sharjah. Several profitable light industries have been established in Ajmsn whose unpretentious commercial ambitions have paid off hend- somely for its foreign investors.

Last month the aspirations seemed to suffer a setback with the closure of the Ajman Arab Bank. Owned 40 per cent. by the Ruling Family and 60 per cent. by the WFC Corporation, e holding company run by a Miami Cuban with interests in a numbar of South American banks, together with Pakistani interests, it bad been actively involving itself in the State's development. The fact that the Currency Board did not—for what ever reason—bail out what was a semi-local govern- ment institution may be pessi- mistically interpreted by other Emirates. As for Ajman, it is unclear at tbia time how the projects finaoced by the bank will continue. The bank acted aa first point of contact for foreign businessmen and ful- filled e valuable role io pro- moting the state, as welt as giving financial advice to the Ruling Family.

Ajmao had been successful in raising two Eurodollar loans for the construction of a small port totalling $7m. together. A second Eurodollar loan for Ajman was signed only last month was for an $8m. fishmeal plant.

However, one of Ajman's most successful projects so far is the mall dry dock which has been in opertaion since Decemher. Since its opening by Mitsu of Japan, the operator, the facility has been rarely empty and haa alreedy hendled well over 60 ships.

Ajman's most ambitious plan to date is for a garden city to accommodate 30,000 new resi- deots. Designed by the Kisho Kurokawa, Japanese architects, it has yet to be financed and with tbe recession in the pro- perty market, quite epart from the Ajman Arab Bank's mis- fortune, there can be no cer- tainty that it will be imple- mented. It is hoped thet ex- patriate residents will be attracted by Ajman's relatively liberal laws on land ownership and its cheaper rents. Rates for villas end epartments in this Emirate are about 25 per cent. lower than for Sbarjah, only five minutes' drive away end even more competitive compared with Dubai's.

Ten years ago, Ajmao was well known for its livelihood derived from the sale of stamps, visas, passports and even driving licences. It still is the cheapest place to secure a trading licence in the UAE. The bank closure may mean e step back for Ajman, but this enterprising little state will inevitably find a suitable role.

## Umm al Qiwain

Umm al Qiwain enjoys a modest petroleum income from its 30 per cent. share of revenue received by Sharjah from the Abu Musa field as a result of the compromise reached just prior to the independence of the UAE.

Umm Al Qiwain has tradi- tional hopes of oil revenue and developing a busy port. The concession there is held by United Refining, a consortium of aeveral U.S. and Canadian oil companies. An announcement made recently by the Ruling Family declared that oil and gas had been fonnd in the offshore area. Moreover, it would be sufficient to sustain the needs of both commodities in the state witb a certain amount also available for export, according to the state- ment; but no detailed informa- tion has been made available. However, Umm al Qiwain's pros- pects have always been con- sidered better for gas, rather than oil.

The major project in the town is the development of the creek including construction of 800 metres of seawall. Falcon Dredging of the Netherlands are deepening the bed to a depth of four metres to create a small dhow and pleasure craft harbour. The wherf is to be further extended by another 700 metres, and dredging in this area is planned to go down to minus 10 metres. This would allow ships of 20,000 tons to berth. However, no decision has been made yet about the number of berths that will be eventually created in Umm al Qiwain, and the matter is still under study by the ruling family. Consultants to the pro- ject are W. S. Atkins and Partnera of Epsom.

Other developments in this awakening Emirate include resi- dential complexes, new housing units for local citizena from the Federal Government and a new hospital. An Italian com- pany is also planning an asbestos factory there.

K.B.

*The control tower at Dubai International Airport. Air traffic control and technical services are provided by International Aeradio.*

**All but one of the Emirates are busy on expansion schemes for their ports and airports—some with a greater degree of success than others. While there is no gainsaying the justification for these developments, one aspect which in time may prove troublesome is that there is little or no evidence of any kind of federal co-ordination.**

# Ports and airports

NOWHERE is there such an evident lack of federal policy and co-ordination as in the sphere of airport and port construction. Six of the seven Emirates are building new port capacity or expanding existing facilities. Abu Dhabi, Dubai, Sharjah and latterly Ras al Khaimah all have international airports. Abu Dhabi and Dubai are planning new ones which will be less than 80 kilometres away from each other. At the same time Abu Dhabi intends to construct airports at Al Ain in the interior and at Ruwais, the site of its new industrial area.

It is not just that possession of more than adequate infrastructure for transport communications is regarded as something of a status symbol as well as a source of revenue. Equally important, no Emirate wants at the moment to be dependent on another.

Certainly, the provision of more port capacity in general has needed no justification. Over the past few years every Gulf port has been congested to varying degrees as imports have soared in the wake of the 1973-74 price escalation.

Only Dubai, with the needs of its flourishing entrepot trade primarily in mind, in any way anticipated demand with its original 15-berth deep-water harbour which seemed amazingly ambitious at the time of its completion in 1970. With the growth in demand of the UAE and surrounding countries it has witnessed waiting times of two months or more this year. The addition of another 22 berths one of which is already in operation, seems much less visionary even if waiting times at Dubai and elsewhere have been recently reduced.

## Busiest

Port Rashid has been the Gulf's busiest port and one of the cheapest. Dubai's success in giving a vital service to the UAE as a whole but also a wider regional one encouraged other Rulers to develop ports. Now no fewer than 200 berths in total are under construction in the UAE—in addition to the big port developments underway in Saudi Arabia, Kuwait and Qatar. In the long term there is a prospect of considerable over-capacity.

The largest project is at Jebel Ali, Dubai, designed primarily to serve the industrial estate being implemented there including the aluminium smelter and probably also a steel plant as well. More than 70 berths are being built by British, Dutch and local companies. The original price was set at 3bn. dirhams (about £450m.) though the actual cost may be £500m. or more now that the period of construction has been lengthened to five years or so. However, the berths are to be progressively released and the first four are scheduled to be ready by early next year. Sheikh Rashid of Dubai clearly aims that Jebel Ali will become the Rotterdam of the Gulf backed up by a growing industrial free zone that will also be the Emirate's industrial centre.

Abu Dhabi also is planning a new port alongside the existing Mina Zayed which recently underwent a 12-berth expansion. A further eight berths are under consideration for the inner harbour, which would bring the total to 25. The new port, however, will be built on reclaimed land which is to be created by dredging the area alongside the new 12 berths. It is to consist of a total of 34 berths, including provision for containers and roll-on roll-off facilities. The construction contract for the port has been awarded to the South Korean company Dong Ah. Plans are drawn up for another port in the Ruweis area, the site of Abu Dhabi's industrial complex, though as yet no decision has been made as to the size of it.

## Emulate

Seeking to emulate Dubai's prosperity some of the UAE's smaller Emirates are looking to their ports as the mainspring of their economic life. Sharjah, for example, which is strategically located more or less in the centre of the UAE, is now aggressively marketing itself as a transhipment centre for the Gulf. The Mina Khalid development which came into operation last year is of particular significance because the port is equipped with the first purpose-built container facilities in the Gulf. Although the main emphasis in imports is still construction materials, the potential is enormous. Dubai is handling nearly 2,000 units e month and is planning extension to its limited facilities in Port Rashid in the major expansion schema under construction at the moment.

The Sharjah container terminal is the Gulf's first fully equipped container complex and already it has stimulated interest from international shipping lines. Medtainer Lines runs a weekly container service from Britain and Europe, and Ben Ocean and Mitsui OSK operate Far East runs with transhipment to Saudi ports. Sharjah is managed by Seatrain Gulf Services, a company specially formed by Seatrain, the American container operator. Unlike Dubai, which acts as a warehouse port, transhipment and throughput via the Sharjah container terminal is designed to be speedy, with punitive rates of storage applying after 60 days.

Sharjah's most promising project is the one located at Khor Fakkan, in its eastern enclave bordering the Gulf of Oman, where two more specialised and fully equipped container berths are under construction. This development is undoubtedly going to be a focus of attention in the future by Gulf trade container operators, for the natural deepwater port will allow large mother ships to off-load their units without the necessity of passing through the busy Straits of Hormuz. Although a minor two-berth development, it could prove a major challenge to the other container ports being built in the Gulf itself now that good road communications to the west exist.

Also on the east coast Fujeirah is to undertake a 12-berth harbour only 15 minutes drive from Khor Fakkan. It is being financed by the UAE Ministry of Public Works. The new port will be able to accept vessels in the 20,000-25,000 dwt. range. In view of the proximity of the two ports, it has been suggested that Khor Fakkan concentrate on container vessels and Fujeirah on general cargo traffic, thus comfortably complementing each other, although the ruler of Fujeirah has yet to decide on the matter.

On the west coast of the country, Ras al Khaimah is going ahead with a small port of eight berths, two of which will be for containers.

They will be fully equipped with gantry cranes and a large back-up space for parking. Already one international operator—Manchester Lines of Britain—has shown interest in using the terminal. Meanwhile, Ajman, the smallest Emirate, is also planning its own port project and current designs call for a total length of berthing space of 2,500 metres.

As for airports, competition is equally intense, though the rivalry is restricted to the larger Emirates. The most expensive project so far is Abu Dhabi's new international airport which is projected as costing over Dh.1bn. The architects of the Charles de Gaulle Airport in Paris are doing the design. The terminal buildings are to be built by a Japanese consortium, Takenaka Komuten. Runways and access roads have been awarded to Joannes and Paraskevaides, the Cypriot company, one of the most successful foreign contractors in the UAE.

The Abu Dhabi Public Works Department also recently announced plans for the construction of an airport at Al Ain, the inland town near the Buraimi oasis. The new airport will be built to Category II standards and be capable of handling Boeing 720s and 707s. However, e Government official said that they did not expect any scheduled airlines to use Al Ain airport, and that the terminal buildings would be scaled down. It is expected that the complex will be used mainly for the military and private flying for a number of prominent personalities in Abu Dhabi who have residences at Al Ain.

Dubai has yet to unveil the detailed plans for its massive new international airport planned at Jebel Ali, the site of the new industrial city. It is believed that the new airport—being designed by Halcrows (Middle East)—and planned in association with the British Airports Authority—will be the largest in the UAE when completed. Located on the main Abu Dhabi-Dubai highway, the new airport will become the sole airport for Dubai feeding the new city and Dubai itself, with easy access to the capital. The construction contracts have yet to be awarded.

Dubai's existing airport is witnessing phenomenal traffic increases every year. In 1976 the total number of passengers amounted to 1.3m. Cargo went up by no less than 599 per cent during last year to 51.5m. kilos. The Government have yet to announce exactly what will happen to the airport once the Jebel Ali complex is completed. If it does not become a military airport, or cater for private traffic, the land could be sold off for development.

Sharjah's new airport, which opened on January 1 last is handling seven international passenger airlines and numerous cargo airlines. Already cargo during the first months of operation has [illegible] around 2,000 tons. As capacity of the existing [illegible] house facilities is only [illegible] tons, plans are already [illegible] ing for the doubling of [illegible] space as envisaged in [illegible] original project. This co[illegible] with an annual traffic of [illegible] tons for cargo at the old [illegible] and so the new airport [illegible] is already showing benefi[illegible] the Emirate. The [illegible] operated by a company [illegible] ated with the one re[illegible] for Frankfurt airport.

## Potential

The airstrip at Khor F[illegible] is to be made opera[illegible] shortly for primarily small craft. Negotiations are [illegible] way with a local company [illegible] at setting up a scheduled [illegible] vice for the growing [illegible] population. Khor Fakkan [illegible] an obvious tourist [illegible] Three hotels are projected [illegible] this luxuriant part of [illegible] country.

Ras al Khaimah's airport [illegible] been in operation for more [illegible] a year now and has so [illegible] attracted three regular [illegible] The airport can be expe[illegible] witness steady growth in [illegible] future, perhaps a more [illegible] tacular one if oil is [illegible] found in commercial qu[illegible] as the Ruler hopes.

Abu Dhabi's plentiful revenue and its generous [illegible] bution through the [illegible] programme of the Federal [illegible] ernment have given all [illegible] Emirates a chance to [illegible] common prosperity. It is [illegible] standable that each of [illegible] seven Rulers should try to [illegible] their own individual Emirate [illegible] the map as emphatically as [illegible] sible. To an extent comp[illegible] tion between them can only [illegible] healthy.

Yet as the period of [illegible] intensive growth comes to [illegible] end, it seems clear that [illegible] unco-ordinated build-up of [illegible] frastructure projects for [illegible] port communications may [illegible] very wasteful. If the pr[illegible] five-year development plan [illegible] the union for implemen[illegible] by 1980 all the airports [illegible] deep-water harbours [illegible] being built or currently pl[illegible] will be finished. Then the [illegible] of unrestrained competition [illegible] this field may be pa[illegible] apparent.

K[illegible]

هكذا في الأصل

**The UAE is moving into a new phase of development — leisure. Now that most of the infrastructure projects have been taken care of, the Emirates are looking to recreational facilities, in particular, football and athletics.**

# Leisure

WEALTH FROM oil has had considerable effects on the interests and way of life of people in the Gulf, particularly tha United Arab Emirates. Traditions have had to be modified and modernised. Furthermore, people have more time than ever to spend on leisure pursuits and sports. Hitherto, provision of such amenities has not been a Government priority, because roads had to be laid down, schools and hospitals built, and social services provided first. But within the past two years the UAE, with Abu Dhabi, Dubai and Sharjah in the lead, has been putting into action plans for sports centres and clubs.

These projects are part of the process of rounding out life for those who live in the UAE and an effort to provide interests beyond television and the cinema. The choice of recreations and sports reflects the increasing contacts the UAE has had with the West, either through travel or the presence of numerous expatriates.

At the same time these developments have had some effect on such traditional pastimes as camel-racing and falconry. To a certain extent these were restricted recreations anyway. The modern drive is to make sport, in particular football, accessible to a much wider range of people. The intention in many cases is not just to broaden people's interest but also to provide a social centre.

Thus the pattern which emerges in the three Emirates of Abu Dhabi, Dubai and Sharjah is roughly similar. All are setting up sports centres. In Abu Dhabi work is in progress on a three-stage project, Zayed Sports City. The whole complex will cost about $225m. The Consolidated Contractors Company of Abu Dhabi has won the contract for the first stage, which involves the construction of a two-tier stadium seating up to 60,000 and a sports ground with associated roads and parking facilities.

Last month Haden International of the U.K. was awarded a contract worth £13.5m. to instal all the electrical and mechanical work. The first stage should be completed in the middle of 1979. The second stage involves housing, administrative buildings and a mosque. In the third, a gymnasium, club, swimming pool and cultural centre are to be built. All facilities are heing constructed to Olympic standards.

Dubai Sports City is a more modest affair, costing about £60m. The main stadium, with seating for 20,000, is to have an international standard football pitch and running track. An indoor air-conditioned arena will have seating for 4,000. In addition there will also be tennis courts, a hockey pitch, and volley ball and handball courts. The consulting consortium is led by APC International of the U.K., and the complex should be finished by 1980.

The Sharjah sports centre, near the old airport, is based round the stadium, which will contain a grassed football pitch and a running track. This project, to cost £3.7m. and for which Mothercat is the contractor, also includes a sports hall, a social centre and a swimming pool.

Abu Dhabi is the main centre for camel-racing, which is taken as much as an excuse for a gathering of the tribes as an opportunity to study form while up to 40 camels at one time make a double circuit of a long course. Popular as this sport is, along with horse racing, it is reckoned that it is likely to lose popularity in the face of more modern pastimes.

## Falconry

By contrast, the hobby of falconry or hawking is probably more established than ever. It is basically a sport for the sheikhs and their retinues. Owners and trainers work very closely together. Each has its own name, and the relationship between a hawk and its handler is an intimate one of constant talking, stroking and training. Each falcon can be worth at least £1,000 and supplies come from as far afield as Syria, Pakistan, Iran, Turkey, Rumania and Sudan. By one account, an ailing owner took his hawk with him into hospital where it perched on the end of the bed eating raw meat. Local airline officials have long ceased to try and prevent travellers from taking their hawks with them.

Hawking is not open to everybody, so the Emirates are not confining themselves just to sports centres. In Abu Dhabi the Emirates Sports and Culture Club is being built at a cost of £4.8m. This will have a football stadium, volleyball and tennis courts, running tracks and a training ground. APC International are also consultants in Dubai—and Milne and Nicholls International the contractors—for four football grounds (the three known positions so far are near al-Nasr Club, near al-Ahli Club and the Trade centre), each with capacity for 12,000 spectators and costing a total of £16m.

The Gulf has for some years provided employment for thousands of expatriates, particularly from the West. Many of their leisure activities have rubbed off on local inhabitants, including those of the UAE.

Thus Dubai has given APC a third consultancy, this time for a sports and leisure centre at al-Nasr. This project, to cost about £5m., will include an ice rink, bowing alley, squash courts, shooting galleries, swimming pools and an indoor sports hall. It is due to open in the summer of next year and Rank Leisure Services was last month awarded a £7m. contract to manage it. In addition Dubai municipality is planning a £20m. beach marina and boating lake. At al-Saffa Dubai is proposing to build a 150-acre leisure and nature park, to include a miniature railway and children's playground.

## Expansion

Sharjah is planning to expand not only its direct sporting facilities but also to enhance its rola as a tourist centre. By 1979 it hopes to increase the number of hotel rooms tenfold to 3,000. The new hotels will be equipped with swimming pools, tennis courts and other facilities. A number of holiday villages are being set up and the Khor Fakkan area on the east side of the Musandam Peninsula developed as a tourist spot.

Besides these plans, Sharjah already has approaching completion the young people's Shaab Sports Club which includes a football pitch and an Olympic-sized swimming pool. MJN International, a member of the British Sime Darby Group, has been awarded a contract worth about £800,000 for the design and installation of all mechanical and electrical services in the club.

The U.K. architects and engineers, Robert Matthew, Johnson-Marshall and Partners who designed the Sharjah Sports Centre, are also involved in a similar operation for a country club, scheduled to be completed later this year at a cost of £600,000. Like many other such premises this will include facilities for squash, swimming, tennis, shooting and cricket. The Ruler has also announced plans for a £1m. international yacht club to cater for ocean-going yachts in Sharjah lagoon.

In the end the drive of the UAE towards developing recreational and leisure facilities is motivated by a number of reasons. First, the UAE will be for many years dependent on Western expatriate labour and it recognises that one way of making life more attractive (in a competitive labour market) is to provide the means for playing squash or cricket and to go yachting. Secondly, since the demise of Beirut because of the civil war as a holiday centre of sophistication, the Emirates are hoping to lure to their beaches and clubs those who would otherwise have gone to Beirut. Thirdly, prestige in the Arab world is directly involved. Qatar's hosting of the Gulf Football Cup last year has not gone unnoticed. The Emirates have their eyes on not just regional football competitions, but pan-Arab football and athletics competitions as well.

A. McD

**Immigrants form a very large proportion of the labour force, mostly unskilled. Control is by work permit, but many come in illegally. There is something of a dilemma for the authorities here, since without them development projects would suffer severely.**

# Immigrants

THE PORTS of the United Arab Emirates witness a daily influx of Asian labourers—mostly unskilled—who come from Pakistan, India and Bangladesh to what is for them a dream land of riches and opportunity. There are no official figures or even reliable estimates of the number of foreign workers in the UAE, but it appears that Arab labour constitutes about 20 per cent. of the total. The rest is mainly the expatriots from the Indian sub-continent, although in earlier years many also came across from the other side of the Gulf.

While no cumulative count has been kept, the scale of the influx can be seen from the number of legal entrants for 1975, the most recent year for which figures are available. Altogether 128,000 came "above board" with work permits in hand, of which 93,000 were Asians and 23,000 were Arabs. In addition there were 9,000 Europeans and 1,600 Americans, most of them in the professional and higher technical grades. Authorised immigrants are required to return home when the job for which they received a permit runs out.

A significant proportion, however, successfully contrive to stay on. At the same time several hundred thousand have managed to enter without work permits, leading to the belief that the contingent of authorised labour is outnumbered by illegal labour at the lowest, unskilled level. One does not have to look far to find those without official blessing. In many locations they can be seen waiting patiently in the blazing sun to be transported on rattling, dirty trucks to the construction sites which everywhere dominate the landscape.

Equipped with as little as $1, several addresses and letters of introduction written hurriedly on small pieces of paper from cheap cigarette covers, illegal entrants wade their way in the dark through the warm waters of the Gulf, and trek across the rugged terrain of the east coast of the UAE. Those who survive the long strenuous journey aboard the overcrowded dhows, and the coastguard patrols along the shores of the UAE, manage to disappear among the multitudes of immigrants who live mostly in shanty towns on the fringes of the major cities.

Although several official moves have been made to crack down on the illegal channelling of immigrants, small numbers still succeed in getting to the UAE through ports like Khorfakkan on the east coast. Last August a massive attempt to smuggle some 600 Pakistanis into the country failed when one of the boats stuck fast in the sands off Fujairah. Those caught, among whom were many women and children, were deported the following morning.

For the unskilled Asian worker there is little chance of finding work except on construction sites, plants and farms. A few lucky ones find their way to offices or become houseboys for nationals or European expatriates.

## Wages

The average salary of an unskilled Asian labourer is somewhere between 350 and 700 dirhams (£52-£104). Terms of employment are usually set by the employer and there is little chance of wage increases. Persistent complainers are threatened with deportation and a labourer is not allowed to work for another employer unless he has obtained a letter of release.

The Government of the UAE has yet to issue the legislation drafted two years ago and still under consideration by the Labour Committee of the Federal National Council. Meanwhile policies are still determined in an ad hoc manner by

CONTINUED ON NEXT PAGE

**National welfare is a relatively new phenomenon in the UAE, and is another area where the number of expatriates becomes a problem. Most welfare services are staffed by foreigners, which can cause difficulties among the locals.**

# Social welfare

WO YOUNG women sat rguing with the director of the linistry of Social Affairs. One as a divorcee and the other er servant, and the subject of ie discussion was the former's elfare payments. The Ministry ays small salaries to certain ategories of the Federation's tizens such as the ill, the aged, ie divorced, the unmarried id the widowed. The divorced dy showed her contempt for ie money with a waft of her and and a scornful expression. he gold bangles on her wrists ngled conspicuously. "Of ourse I don't need it," sha told ie director, who listened as iough he had beard tha line a iousand times before. "I spend 1,000 dirhams a day in the iops."

"Why do you need the money ien?" he asked plaintively. It is my right!" came the ply.

The argument was rapidly solved when the director sug- ested sending round a Pales- nian woman social worker to scuss the problem at the lady's ime. (In reality, he wanted check that the woman had it already remarried.) "For iat amount of money," she torted; "I am not having any ireigner come poking into my iuse!" She stood up and eparted regally, her servant idding behind.

## Problems

The incident clearly illus- ates the unique character of ie UAE's social welfare system and its problems. The social rrvices help everyone, rich poor, for the oil money is garded as "public money," id even if the citizen is as rich Croesus, social payments to ie eight categories of people entitled are regarded as a indamental right of the black assport holders. And in a iuntry where the simple vnership of land or a signature a trade licence can earn an icome running to millions inually, it is not too difficult r the UAE nationals to become nancially secure, particularly they live in the cities.

Yet the oil wealth which has iwed in the past decade into ie UAE is not cost-free, as any nationals are finding out. hey have become a minority their own country, divorce ites have soared, alcoholism inknown just a few years ago) not an uncommon problem, id crime is on the increase. he essential fabric of UAE iciety is changing, perhaps too st. Tbe gains can be seen erywhere in the form of new ispitals, clinics in the remotest eas, motor cars for every imily, free education and social rvices.

Money and development can- it solve every problem though. omplaints are freqnently heard iat nationala studying overseaa ith generous allowances do not udy enongh, that the availi- ility of free medical treatment iroad is a facility much abused y those wishing to take free ilidays, and that pupils drop it after the compulsory age of 2, despite tha student wages. he Social Affairs Ministry is ill identifying the problems enerated by the wealth, coping ith them is their next task.

The "Us and Them" ientality between nationals and on-nationals which engulfs the hole society, naturally causes s own problems for the linistry. Out of a staff of over 00 it only has eight practical icial workers of UAE ationality. In Kuwait—in recog- ition of the fact that there is chasm between the two seg- ients of society—the Ministry mploys only nationals in the elfare field. The Government knows that a citizen would resent advice from a foreigner. Such a system is not possible in the UAE, where nationals constitute only about 20 per cent. of the population. Thus the Ministry's role is constantly a delicate and diplomatic one.

In Abu Dhabi the Ministry of Social Affairs has developed into a gossip exchange market where women are encouraged to coma, pass the hours away chatting, and learning at the same time. Every week the social workers prepare a mas- sive lunch for the ladies and spend the morning instructing them in the preparation of the food and the nutritional values of each item.

"It is all done through the bonds of friendship," said the social affairs director in Abu Dhabi. "If a social worker gets invited to a national's home, it is because she is friendly with the woman. We don't send them round dishing out advice and telling them how to live. For example, if one of our nurses at the centre sees a rich woman's child without shoes, she asks the child why. We hope the child will then go home and ask why. It's all done in a very quiet way."

However, so successful has the cooking, sewing and gossip centre in Abu Dhabi become that the Ministry is now planning one in each Emirate, and it is now in the process of establishing women's organisa- tions throughout the country.

Education must eventually be the cure of many of the social ills. At least it should help the citizens cope with their leisure time. Equally important, it will be the key to the effective management of the country by nationals in the future. Rightly, Sheikh Zayed, President of the UAE, has always regarded education as one of the highest budgetary priorities. But it is becoming increasingly apparent that the bureaucracy adminis- tering the allocations for it is growing as fast as the funds appropriated to it—but the ability to spend the money lessens.

In 1975 it only managed 27 per cent. of the target. It is understood that last year less than 20 per cent. of the budgeted figure was actually spent. One of the major problems was securing land in areas where schools are needed. Another is the provision of houses for all the thousands of new teachers recruited each year.

As actual expenditure de- clines, the Ministry has to struggle to keep up with the growth of the population. This year it is coping with yet an- other 50 per cent. growth—a total of nearly 90,000 students. In the early stages of education, UAE nationals constituted the majority of pupils, representing nearly 70 per cent. of the in- take. Yet as the children get older, the percentage of nationals to non-nationals de- clines. It drops overall too, the greatest tumble occurring after the compulsory age of 12.

Last year the number of pupils aged 11 totalled 6,059 but by the age of 14 years, it had dropped to 3,779 and by 18 years to a mere 1,069. This drop is in spite of wages paid to parents of UAE students as an inducement to keep them at school. Part of the drop-out is accounted for by girls leav- ing to get married, and boys leaving to join the defence forces where education is pro- vided.

## Concern

Nevertheless, the figures are causing concern to the Ministry of Education. At university level, there are only 1,298 boys studying abroad at foreign in- stitutions and 267 girls. Most of these are at Cairo, although 349 boys are in the U.S. and 141 boys are studying in Britain. The major field of study appears to be engineering, fol- lowed by medicine. Petroleum studies only accounted for 15 pupils. These statistics will un- doubtedly have their affects over the next ten years as UAE nationals attempt to hold on to and direct the country and its economy in the future.

Nowhere is the population problem more apparent than in the country's health services. for in the urban areas nationals constitute only about ten per cent. of the patients. The service is entirely free.

The aim of the Ministry of Health's development plan is to create a hospital bed for every 1,000 of population and towards this it is embarking on a massive construction pro- gramme of new hospitals and the recruitment of 300 to 400 doctors and 800 nurses. The staff of the UAE's hospitals are as multilingual as the patients. Future recruitment will be encouraged from Britain, India, the Arab World, Pakistan with increasing contingents of nurses from South Korea.

The focal point of the de- velopment programme will be the provision of good all-round general hospitals in the main urban areas. Abu Dhabi city is gaining two large hospitals and another in Al Ain, all built on a turnkey basis, for which the Ministry has shown a marked preference recently. A 250-bed unit is planned for Fujeirah, another like-sized one in Ras al Khaimah, and a 90-bed general hospital is under con- struction in Umm al Qiwain. The Ministry is also dividing up the country into health zones so that even in the remote areas out-patient clinics will be provided.

There are still gaps in the service, understandably so since it is only six years old. Rashid hospital, built and man- aged by the Dubai Government, has a far better reputation than any of the Federal Government hospitals. In Sharjah, Sheikh Sultan has awarded a com- mercial management company the contract to operate his new Qassimi hospital but the Min- istry pays the bills. In Ras al Khaimah, Sheikh Saqr hopes to make his new hospital pay its way, and plans to charge patients for the facilities.

Although a federal structure, the Health Ministry has still yet to be the sole provider of medical services. But it has succeeded in keeping up with the population growth, unlike many other neighbouring countries. The gaps remaining in the health services in the treatment of certain illnesses are likely to be filled by London, at least in the fore- seeable future.

K.B.

# Immigrants

CONTINUED FROM PREVIOUS PAGE

tha needs of the market. There are several indications that con- tracting and other companies employing a large numher of workers are trying hard to keep the status quo but the Ministry of Labour has imposed restric- tions on such companies in a bid to curb some of the abuses against the lahour force. Although deportation is still carried out as a last resort it is not encouraged by the authori- ties.

There is a tendency to eocour- age expatriate Arab workers but difficulties are posed by the relatively high pay they demand and the expectation of accom- modation of a kind beynnd what they can afford

The heavy reliance on Asian labour must continue if tha UAE wishes tn carry out the massive development projects ln the country. Construction of the iodustrial town nf Jabel Ali in Dubai is estimated to require abont half a million workers over tbe next five years. Then a more permanent, though smaller, lahour force will be needed to man the plants eslab- lished there.

Indian and Pakistani labourers pay up to Dh.7,000 (about £1,000) as the fee for their passage tn the UAE. The entire capital and assets of a family may be employed to meet the demands of the operators who organise the shipment and land- ing of illegal entrants. Some save for years and sell every possession they have to get to the UAE. Yet despite the poverty in which they exist back home many must be bitterly dis- appointed by what they find on their arrival.

For Asians to work in temp- eratures of up to 120° F in the shada (if any) and extremc humidity may perbaps not he such a strain. But what is for the unskilled expatriate worker, generally living in miserahle accommodation, is that he finds himself underpaid in terms of the very high cost of living and threatened with deportation if be expresses dissatisfaction. It ia a hard grind for the Asian labourer. Wilh a monthly wage of Dh.500 (£70 or so) it will take him a full year, after allowing for subsistence, tn pay back the average of Dh.4,000 (£460) which he probahly had to borrow for his passage.

Luckily for the UAE, there have been very few serious problems involving the work force. Only two major incidents have been reported over the past few years. Tha first in- volved workers on the Dubai drydock project who declared a strike for higher pay ann hetter accommodation. The ringleaders were deported immediately and all the others returned to work. The second of less importance, alsc occurred in Dubai when ahout 200 Iranian dustmen declared a hrief strike for better pay hut called it off on being given promises which in the event never matcrialised.

Some ohservers suggest several reasons for such a pas- sive attitude on the part of the foreign labour force. They indicate thal the average salary of an unskilled Indian or Pakislani worker is much more than obtainable back home, which can he as little as the equivalent or Dh.65-100. Despite the cost of living the worker has a chance to channel hack some of the money he has earned to the family waiting back home.

Anolher reason suggesled is the lack of any kind of organisa- tion among the labourers. Not only are strikes illegal in the UAE: so also is the formation of any labour movement or syndicate. Only social clubs are allowed and tbose are closely watched. The veiled dislike for each other of the main two nationalities—Indian and Paki- stani—hardly encourages co- operation anyway. But above all tbe fear of deportation keeps them quiet.

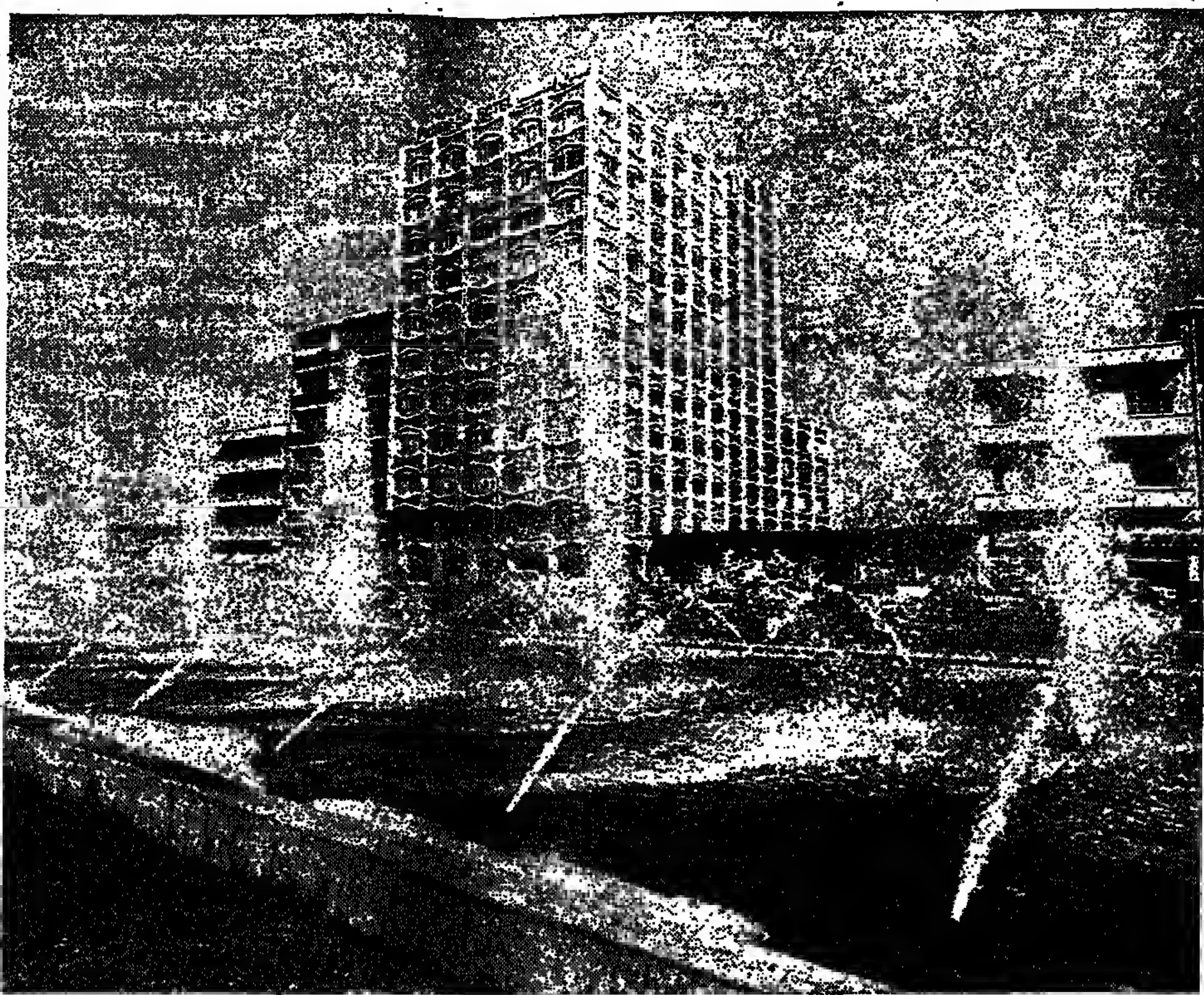
For a society undergoing a rapid transition tha presence of so many foreigners—reckoned to be 80 per cent. of the total population—is obviously a con- fusing factor. Inevitably, the beavy preponderance of tbe aliens required to develop the State and run its services is becomiog a growing preoccupa- tion among the nationals, who are devoting an increasing amount of thought to the whole question of immigration. Little can be done in the sbort or even medium term to reduce de- pendence on expatriates. But in a situation which is in no way ideal, there is a growing recognition that common sense and planning can do mnch to mitigate the possihle social ill- effects and frictions arising from it.

Bryn Williams

# UNITED ARAB EMIRATES XVI







*The Phoenicia Hotel in Dubai.*

**There is an all too familiar ring to Western ears in the news that the property boom in the Gulf region has boiled over. The commercial and residential blocks are still shooting up but uncertainty has crept into the market. All this is not to say, however, that rents still stay anything but high.**

# Property

ALL OVER the Emirates, property agents and developers have developed uncharacteristically loog faces recently. As they sit in their plush offices, every extra brick adds to their gloom. As the massive office and residential projects are completed, anxiety grows that there may simply not be enough clients willing to pay the rents demanded—and required if loan obligations are to be met at a time when supply at last is tending to exceed demand.

Conversely the tenant is just beginning to get a glimpse of choice: whereas before the object of flat hunting was to find one, now it is to find the cheapest one. In certain Emirates, the property agents are chilled by tales of bargaining between tenant and potential landlords. Nowadays, a tenant can afford to move out if the rent goes up by 50 per cent. in a year, and there are even stories of counter offers and landlords coming down in price. It is a very different scene from even six months ago.

Abu Dhabi is naturally going to be the last city where rents are going to come down or even stabilise. Nevertheless property agents are now becoming edgy and talk of a "dullness" in the market which first became apparent about ten weeks ago. Agents currently estimate there are about 500 blocks under construction in the city, and almost all of them are in the luxury category, i.e. ranging from Dh.60,000 to anything up to Dh.250,000 a year. Abu Dhabi, being the federal capital, will always experience the biggest increases in the population each year, for with each jump in the budget, thousands of more expatriates flow into the city. Another 8,000 government bureaucrats are arriving this year. However, most of these new employees will not be seeking luxury class accommodation, and the Government is only now coming round to the problem of creating middle-range accommodation for the thousands of new teachers, clerks, and administrators. It has already realised that many of the new low cost housing complexes planned outside the island for UAE nationals will inevitably end up being occupied by government employees. In previous years, the government departments absorbed a great deal of the available property but now more thought is being given to the creation of special units for their employees.

The private sector has yet to recognise this trend. As always, it continues to build for the higher salaried workers and businessmen, when the greater demand will come for medium and even lower standard accommodation. At night the federal capital is fast becoming cluttered with thousands of sleeping Pakistanis and Indians who constitute the fastest growing sector of the population, and an important part of the labour force. As yet, no provision at all has been made for this end of the market. At the moment, the construction workers sleep in the undeveloped central areas, but as the plots are gradually taken over for development, their numbers increase and so does the amount of homelessness. Despite the acute labour shortage in the Emirates, no Emirate has yet exhibited a wish to encourage an air of permanence to these transitory workers from Asia.

Sheikh Rashid in Dubai has at least given attention to the rent problem and its repercussions on his Emirate in the business sphere. The Ruler himself is the largest property developer and owner in the Emirate, and having such majority control he has been able to bring the prices down by merely creating large numbers of cheap flats. Several hundred apartments are becoming available at the moment, going not only to Government departments but also to private individuals working in the commercial sector. Prices for two-bedroomed flats in a Sheikh Rashid building can be as low as Dh.20,000, and this has had an undoubted influence on the general range of rents in Dubai.

## Control

An act to control rents is also under consideration, and is currently being studied by a specially formed committee of the Dubai Municipality.

However, it was Sharjah that Dubai to the post on rent control for towards the end of May, the Government announced that all rents would be frozen for the foreseeable future. In view of the ever increasing "To let" signs that have begun to appear all over Sharjah, it is understandable that the Emirate wishes to maintain its price levels, which at present are much cheaper than in neighbouring Dubai.

Sharjah's property market has become the talk of the area, although it is only more obvious there because so many buildings are coming into operation at the same time. Nevertheless, it is the first time that vacant accommodation has been advertised in this way, for apartments and offices are normally taken three months before completion.

In the other areas, Ajman, Ras Al Khaimah and the east coast, rents can be expected to stabilise in the next few months. In Ras Al Khaimah, the bonanza days of rivers of Kuwaiti cash flowing in seem to have abated, and little property is changing bands at the moment. Indeed this applies to the whole country, because landlords are for the first time holding on to their property instead of engaging in speculative buying. The case of one speculator who was selling land even before he legally owned it, left a dent of over Dh.100m. in a number of banks in the area; and banks have grown less keen on this kind of credit.

## Dearly

Since the closure of two banks recently and the introduction of new measures by the UAE Currency Board designed to curb credit, the property market "depression" in the UAE can be expected to continue. The property market and its dealers have cost the banking system dearly, and in the future the banks will undoubtedly be obliged, by the new capital and liquidity ratios required, to withdraw partially from this kind of investment.

To say that the property market is in a dull period has to be seen in perspective, however. A three bedroomed villa in Dubai starts around the Dh.100,000 mark, a two bedroomed flat in town anything from Dh.60,000 to Dh.90,000. In Abu Dhabi, prices can go as high as Dh.250,000 for a penthouse on the prestigeous Corniche. And naturally, all rent is payable at least a year in advance, though recently some landlords have been offering cheaper rents if five year leases are signed.

The stabilisation of rents is politically desirable. Increasingly, foreign companies are finding it cheaper to fly in executives on a regular basis rather than keeping them based in the UAE. Government employees receiving housing allowances are becoming squeezed by the rents, and the UAE, above all, must remain competitive in the market for administrators against the demand from neighbouring States.

**K.B.**

**Most of the Gulf States, if only because of their oil wealth, have a high credit rating in international capital markets. As a result member States of the UAE have little difficulty in raising funds on the Euromarkets or elsewhere. Much of the borrowing is directed towards capital projects, collective or otherwise, designed to advance economic development.**

# Borrowing

THE UAE is becoming a frequent borrower on the Euromarkets. So far this year borrowings by the Emirates bave reached nearly $650m. Althougb this figure is mainly the result of the tapping by Dubai of the markets for finance for its big industrial and related projects, it also reflects the advent of the smaller Emirates and, more important, the federal institutions on the borrowing scene.

International banks seem to have few qualms about the UAE's credit rating, despita last month's bank closures. Those which lent to the Ruler of Ajman earlier this year may have had a few misgivings in the past week or two as the Ajman Arab Bank closed its doors. But the amount they lent was small—$6m. in a five-year floating rata loan—and they reckon richer members of the UAE will not let the bank, still less the Ruler, go under.

Bankers in general seem to hinge their view of the UAE on the wealth of either Abu Dhabi or Dubai and the willingness of these Emirates to use it to the last resort to support their protégés and, in the case of Abu Dhabi, federal bodies too.

## Willing

Despite the extent of Dubai's Euromarket borrowings so far, bankers seem to be quite willing to go on lending to it. This year, the Ruler, Sheik Rashid, has borrowed $225m. for six years at a spread of 1⅜ per cent. above Libor for bis aluminium smelter project (in addition to obtaining export credit finance of £202.4m.), and $230m. for a similar term at 1⅜ per cent. for a gas gathering and processing complex.

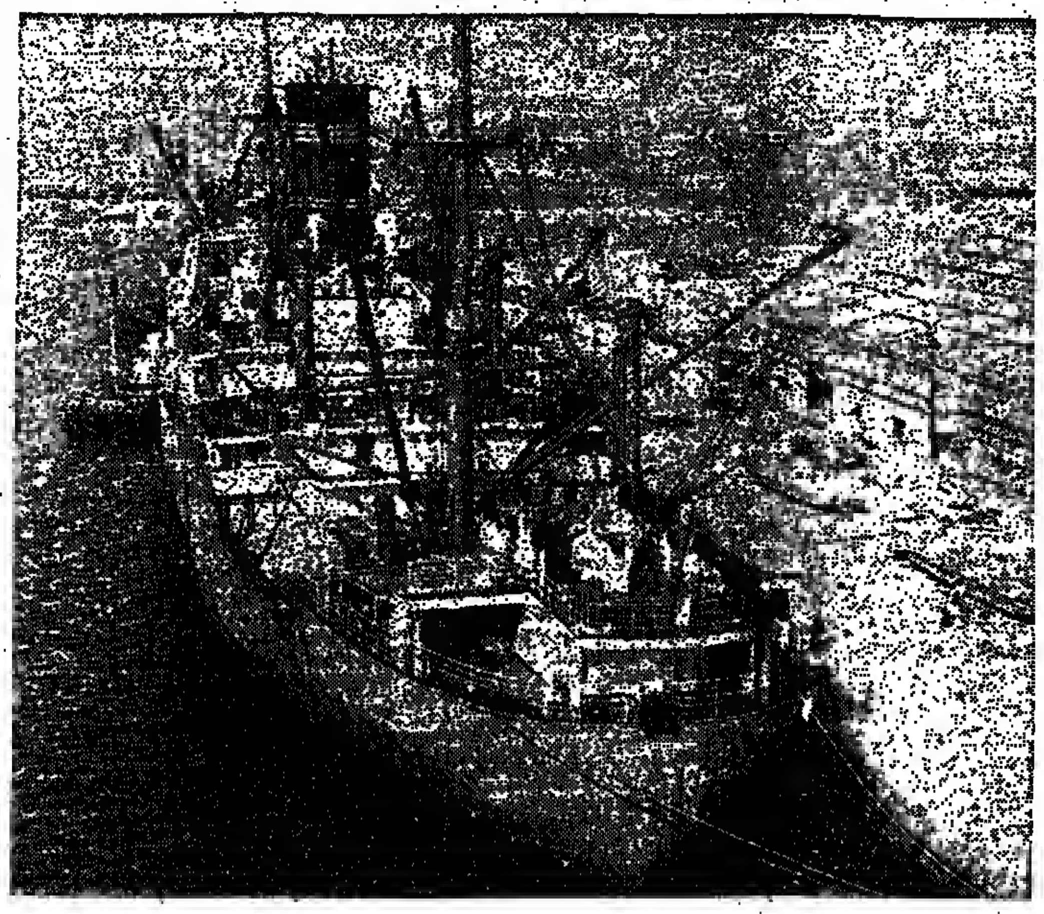
Sharjah has also borrowed twice this year, the first time since 1974. Through Antony Gibbs Holdings it raised $40m. in a five-year syndicated credit at 1⅜ per cent above Libor; and through Grindlay Brandts $20m. over the same term and at the same spread. The first loan was for aeveral projects including an airport and a *souk;* the second for costs already incurrad on tha *souk*.

More interesting, perbaps, has been the emergence of federal institutions as borrowers. Deutsche Bank in April managed a DM100m. five-year Eurobond with a coupon of 6¾ per cent. for the Currency Board in what was described by the Board's managing director as "purely a dealing operation." The issue was said to be the first in D-marks for an Arab borrower.

Another borrowing by the Board is understood to be in the pipeline. The relatively new federal telecommunications authority, Emirtel, is coming to the market for $100m. over seven years at 1⅜ per cent. Here it is the guarantor that is interesting, because it is not tbe Currency Board but the Abu Dhabi Investment Company, formed earlier this year.

While the Board itself seems to bave been finding deficiencies in its authority to control events at home, coincidentally international banks abroad seem to bave been finding gaps in the constitution of the Board which have not been to their liking.

Earlier this year, the Union Cement Company (75 per cent. owned by Ras al-Khaimah and 25 per cent. by Abu Dhabi) was set to raise around $65m., ($40m.) in a floating rate credit and Db100m. in a fixed rate portion. The transaction fell through at a fairly advanced stage because the management group (Orion Bank, National Westminster (NatWest.), Toronto-Dominion, Royal Bank of Canada and Westdeutsche Landesbanka Girozentrale) was unable to get a satisfactory legal opinion on the powers of the Currency Board to issue a guarantee.



*Cargo handling operations at Port Khalid, Sharjah.*

A similar lack of clarification is assumed to bave been behind the delay in bringing the Emirtel loan to the market. At the beginning of the year Orion Bank, NatWest and National Bank of Abu Dhabi were reported to be discussing management of tbe loan, with the Currency Board as guarantor. Now a different group has been put together, consisting of Bankers Trust International, Chase Manhattan Ltd., Deutsche Bank, Union Bank of Switzerland and NBAD. The quality of this group reflects the cboice of ADIC, whicb is acting as adviser as well as guarantor and is already proving a very go-ahead institution, according to one international banker.

The smallness of ADIC's paid-up capital — Dh.25m. (about $6m.) — in relation to the amount it *is guaranteeing* is not seen as a problem, since ADIC is 60 per cent. owned by the Abu Dbabi Investment Authority, which has overall responsibility for investing the Emirate's substantial surplus oil revenues.

Thougb ADIC's face has already been seen several times in management groups, notably the recent $30m. issue for the European Coal and Steel Community, and is expected to step up its activities in Eurobond and loan syndication, it will be interesting to see bow long it will act in the place of the Currency Board as guarantor on UAE borrowings. Presumably tbis will be another aspect of the Board's functions that will bave to be clarified in any revamping of its role.

ADIC itself is seen as developing along the lines of the three big Kuwaiti investment companies, channelling official surplus funds into Eurobonds and other investments in the West and in the Arab world. In charge of ADIC's operations in Magdi al-Tanamly from Kidder Peabody, and the son of Abdel-Moneim al-Tanamly, with wbom be belped set up Arab Financial Consultants in Kowait.

Other institutions in the UAE are also stepping up their investment banking activities. The National Bank of Abu Dhabi is recruiting a small department under Clive Smith on secondment from Credit Suisse White Weld to specialise in Eurobond and loan syndication. Khalij Commercial Bank is also active in the bond market, baving co-managed a dirham issue and underwritten half-a-dozen or more others.

The Arab Bank for Investment and Foreign Trade (ABIFT), based in Abu Dhabi, specialises in participating in syndicates for Eurocredits to Arab Governments and in underwriting bond issues of Arab Governments aod institutions. The *bank* is owned by Abu Dhabi, Libyan Arab Foreign Bank and Banque Exterieure d'Algerie.

Most issues denominated in dirhams have been private placements, but an attempt was made last year to start a local market in public dirham issues. It was not a success, and the new issue market was closed in January. Only two public dirham issues were made — one of Db.80m. 9½ per cent. notes 1983 for Ljubljanska Banka of Yugoslavia, managed by Wardley Middle East, National Bank of Abn Dhabi and Khalij; the other of Dh.100m. 9 per cent. Bonds 1986 for the Algerian shipping company CNAN, managed by BAII (Middle East) Inc. of Bahrain, ABIFT and Bank of Credit and Commerce International.

Given the lack of sophistication of the market, compared with Kuwait, and the smaller amount of institutinnal funds, most of these two issues were left in the bands of the managers and the Currency Board. It seems unlikely that a local market for dirham bonds can have much chance of success unless a secondary market can be started, and this in turn appears some way off, given the lack of money market instruments arising from the absence of Government debt.

In any case local investors *will still* need some persuading that bonds offer a better alternative to the 30-40 per cent. or more that can be made on real estate, even if the boom in that sector is showing signs of peaking.

This year has already seen the formation of three major real estate investment companies involving the ruling families. Abu Dhabi bas set up the National Real Estate Investment Company with a capital of Dh.100m., split between a founding group (20 per cent.) including members of the ruling family, the Ruler bimself (10 per cent.), the Abu Dbabi Investment Authority (15 per cent.) and the public (55 per cent.). Dubai's answer to this is the Dubai Federal Investment Company which has a capital of Dh.1bn. The Ruler has 30 per cent., the founders 10 per cent. and the public 60 per cent.

Ajman enlisted the backing of Kuwaiti interests for its Gulf Real Estate Investment Company, capitalised at Dh.300m. The UAE and Kuwaiti founders each took a third of the shares, with the remainder offered to the public.

The Sharjah group is different again. The only two Sharjans among the founders are the Ruler and bis daughter. All the others are extremely rich Kuwaitis, including most of the big merchant families. Nor is the group only interested in real estate, nearly all forms of Arab and foreign investment such as industrial ventures in the West being under consideration. The group already bas a London office, which has just taken on a manager for its banking activities.

UAE institutions have small stakes in Arab/Western consortium banks in Europe and the U.S. National Bank of Abu Dbabi and Alahli Bank (Dubai) are shareholders in UBAF in Paris, while NBAD also bas stakes in UBAF affiliates: 2.5 per cent. in UBAN-Arab Japanese Finance in Hong Kong and 7 per cent. in the UBAF Arab America Bank in New York. The Abu Dhabi Fund for Arab Economic Development bas a sbare in European Arab Holding in Luxembourg.

Just set up in Geneva is the *Gulf and Occidental Investment* Company with a capital of Sw.Frs.5m., shared equally between the Abu Dbabi Investment Authority, Qatar National Bank, Credit Industriel at Commercial of Paris and the United States Trust Company International Corporation. The new company intends to concentrate on tbe Eurobond market and try to by-pass for Arab clients the high charges made by Swiss banks for bond transactions.

**Peter Field**

# Banking

**The UAE Currency Board recently tightened its control over the multitude of banks in the Emirates, and although the new measures were fairly tough, they were regarded as long overdue by the many bankers.**

THE GROWTH of banking in the United Arab Emirates has been faster than anywhere else in the world. Measured by the increase in the assets of the system, expansion has been remarkable but not surprising given the injection of money into what was the least developed of the oil states of the Gulf at the time of the UAE's creation. More striking has been the proliferation of banks operating there since independence in 1971 and before in Dubai, the main commercial centre.

Generally, the rulers of the individual Emirates were keen to attract as many institutions as possible in the belief that they could not have too many banks. In the open door extended to applicants there has been an element of competitiveness and a desire for prestige. Established in 1973 the UAE Currency Board in the first two years of its existence as the monetary authority also did not discourage applications for licences because it wished to build up the UAE as a financial centre. Two years ago it finally declared a moratorium on the establishment of any more banks. With nearly 50 houses then established the UAE could claim to have more banks per head of the population than any other state in the world.

Subsequently the moratorium was lifted temporarily to allow the entrance of Lloyd's Bank International (involved in the financing of Dubai's smelter) and the national banks of Bahrain, Qatar, Oman and Sudan to set up branches. In the spring of this year, however, the Ruler of Dubai authorised unilaterally the opening of two more—which in the circumstances the Currency Board had little choice but to retrospectively give formal permission. At the last count the UAE had no less than 56 banks authorised with 302 branches, with a further 130 approved. For the past three years and more the federation could justifiably be described as the most "overbanked" in the world, despite the considerable wealth of the country, which puts it at the top of the global league in those terms as well according to recent calculations.

Following Bahrain's venture into offshore banking last month the UAE invited international banks to apply for restricted licences permitting them to do any business except domestic retail operations (or the taking of dirham deposits). The intense competition already existing in the UAE and the head start which Bahrain attained in attracting the top names in banking did not encourage applications. In the event only a dozen have been given—six to Abu Dhabi and six to Dubai—but only one in the latter has actually set up its nameplate to do business. Although restricted banking licences do entitle holders to undertake some onshore business, the experiment has nothing to do with the crisis in UAE banking which became fully apparent last month with the closure of the Ajman Arab Bank and the Bank Janata.

## Stability

Doubts about the stability of a system including so many institutions but without strong control exercised by a fully-fledged Central Bank with requisite powers and political backing had been expressed long before. Despite the intensive economic activity and growth since the moratorium on banks was originally declared, there did not seem enough business—in particular, a sufficient base of local deposits—to be shared around. Altogether the bulk of the deposits—perhaps two-thirds or more—are held by a dozen or so banks.

In January the failure of Abu Dhabi and Dubai to supply the Currency Board with sufficient foreign exchange from their oil revenues led to a weakening of the dirham on the market. When eventually it obtained dirhams on a sufficient scale and started selling them on the market, the banks continued buying dollars even though the rate was increasing. After it had obtained dollars in sufficient quantities and started selling them in the market, the banks continued buying even though the rate was increasing. The Currency Board then decided that the banks which had thus over-extended themselves should pay for the indulgence—at the punitive rate of 1 per cent. on overdrawn balances. For good measure it also cancelled swap facilities in a well-judged move that both strengthened the dirham and should also have taught errant banks a lesson. The whole affair was disturbing. While the sounder (for the most part foreign) institutions profited, the weaker ones were unnerved by the affair. It highlighted how the latter had tended to lend long and borrow short—a practice that the Currency Board had previously warned about.

Competition among so many has not been healthy. With the increase in the number of banks competition became hotter and the newcomers took risks accordingly. Not only have the many institutions, including those with well-reputed foreign shareholders, tended to borrow short and lend long but they have also kept far too little liquidity. Even before last month's crisis the Currency Board had criticised many for allowing advances to exceed deposits by as much as 250 per cent. when they were in no position to do so safely. For many commitments have been far too large in relation to their small capital and reserves. Above all last month's closures highlighted the dangerous extent to which the banks had involved themselves in financing property development.

In the past five years UAE nationals have sought easy fortunes from the property market encouraged by exclusive ownership laws and fabulous rents obtainable for the most part from expatriates. Until recently an investor in commercial and residential building could expect a return on his capital within three years or even less. Land speculation has offered profits far exceeding that of any other business. In their attempts to increase their market share the newer banks have been more than amenable to demands, and some banks have made a speciality of what must be regarded as "fringe" practices by normal banking criteria. In Abu Dhabi it is said that all a local citizen has required to obtain the necessary cash is an initial 15 per cent. of the investment and a rent contract which banks have been willing to obtain, together with advice on contractors and architects. The well-established banks have been very hesitant to touch this kind of investment or refused to contemplate it altogether. The recent downturn in the property market will have proved their wisdom.

In Abu Dhabi about 60 per cent. of credit to the private sector now goes to property development. In Sharjah the proportion is much the same. In Dubai, however, such operations account for less than 20 per cent. of advances—in keeping with its role as the main commercial centre the financing of trade is still responsible for over 50 per cent. of credit advanced.

Quite apart from the banks' involvement in real estate, which was understood to have been very relevant to the two failures, this rapid expansion of credit has been a worrying inflationary factor. The increase of 85 per cent. recorded last year compared with 65 per cent. in the previous year. Last year it also rose as a proportion of total bank assets from 40 per cent. to 43 per cent. There was a relative decline in foreign assets, which was only partly accounted for by the Currency Board's instruction in the early part of 1976 for banks to place with it 5 per cent. of their deposits and the greater scope for lending presented by the local inter-bank market.

Last month, at last, in the immediate wake of the Ajman Arab Bank's closure, but before that of the Janata Bank, the Currency Board announced a number of measures in the name of President Zayed designed both to curb credit and lay the basis for a sounder banking system. First and foremost there was an authoritative reassertion of the moratorium on the opening of any new banks or branches. The move prompted the first resignation offer by Mr. Ronald Scott, the managing director of the Currency Board, who was seconded to the post by the International Monetary Fund when the monetary authority was set up, although at that time it was not accepted by Sheikh Hamdan, the Minister of Finance.

Other measures announced then were designed also partly to reduce inflationary pressures as well as bring more order to the banking system.

The percentage of dirham deposits required to be held by the Board was increased from 5 per cent. to 7½ per cent. The Currency Board also declared its intention to monitor liquidity ratios—hoping to narrow the wide gap between advances and deposits of some banks. It was also stated that the proportion of a bank's own funds — capital and reserves — to total liabilities should not be less than a relationship of one to 15. The measure is also to apply to foreign banks which will now have to bring in capital to show up on their UAE balance sheets.

On the whole the measures have been welcomed by members of the banking community as necessary and overdue. However, some of the smaller institutions may find it difficult to abide by the capital and liquidity ratios which are to be applied. While the regulation concerning ratios between funds and liabilities appears to have caused little concern to the large Western banks — which will now have to bring in capital — it may cause a little heartburn for the smaller foreign and locally incorporated houses.

The closure of the two banks came as a salutary shock. It may have been welcomed by the Currency Board's management in its efforts to obtain more effective power—although it appears to have done what it could to put in order the affairs of the Ajman Arab Bank and the Janata Bank, which will probably be restored to health in the not too distant future. Some stronger banks noted that deposits coming to them were above average in the aftermath of the closures, reflecting some withdrawals elsewhere. But there was an absence of panic, and confidence appeared to a remarkable degree not to have been shaken either locally or abroad, even though the recession in the property market is likely to become much more apparent.

## Weaker

As it was, the squeeze on the weaker brethren must have been made much more painful by the Government's instruction that the Currency Board should not extend facilities to aid other banks for the time being. This is said to have prompted the second resignation of Mr. Scott, which has now been accepted. The Government in the meantime sought advice from two Bank of England experts and also received the report of an emergency mission called in earlier from the International Monetary Fund.

Last week a Government decree was promulgated appointing a three-man panel of UAE nationals to replace Mr. Scott. It also resurrected the membership of the existing Board, which had effectively been dissolved last year in anticipation of the enactment of legislation setting up a Central Bank. That has long been urged by the IMF, which was believed to have repeated its previous advice that an authority of such status was required to control credit properly, to inspect banks affairs and to intervene when necessary. In the longer-term the affair will probably be seen as part of the UAE's institutional and economic growing pains. Whatever the immediate damage to confidence the banking system should emerge stronger as a result.

## Wider

It remains to be seen what wider role the system may play in international and regional finance.

Until well into 1976, many bankers saw the UAE rather than Bahrain as the most desirable base for operations in the Gulf. But political strains affecting the Currency Board caused delays in decisions on giving the green light for restricted licensed banks and a failure to clarify how and by whom taxation and/or reserve requirements would be imposed. The field was thus left clear for Bahrain, which initiated its offshore banking policy in October 1975; and which has now granted licences for offshore banking units (OBUs) to 40 international banks.

The Currency Board's announcement of the RLB experiment in April 1976 was accompanied by a denial that it was a direct response to the challenge of Bahrain. This seemed to be supported by the relatively small number of banks—12—the Board set out to attract initially, and by the nature of the licence, which differed from Bahrain's offshore licence in allowing consider[able] onshore business—in fact, operations except domestic retail banking.

The RLB appeared to be conceived more as a [...] out for those international banks which had failed to obtain a full commercial licence before the moratorium on banks in the UAE was imposed than as a serious attempt to compete with Bahrain.

Unlike Bahrain, which charges $25,000 for an OBU licence, the UAE charged nothing, which made the question of taxation, reserve requirements so crucial. It has also invited the wait-and-see attitude of the 12 banks with restricted licences, only one of whom—Amex—opened. As one bank holding a restricted licence put it, "it costs nothing, why not take it and see what happens. There's nothing to lose." The attitude partly explains why banks with OBUs in Bahrain have also got restricted licences in the UAE: last year they were clearly hedging their bets; this year, they are no doubt pleased they got their operation going in Bahrain.

In the meantime, the UAE has developed as an adjunct of the Bahrain money market with four money brokers in Bahrain and the two in the UAE (both opens in Dubai), as well as dealing departments of banks in both states, treat the centres as one. This was illustrated in January when the run on the dirham was halted by intervention by the Currency Board.

By Our Foreign St[aff]

BY DAVID HABAKKUK AND OUR FOREIGN STAFF

# Battle of wits for human lives

IN A SUBURB of the Dutch city of Assen, next to a playing field there is a civil defence bunker, with underground accommodation for 2,000 people, surrounded by barbed wire and police with machine guns. Direct telephone lines link it to the Dutch Justice Ministry at The Hague; to the Bovensmilde school, 6 miles to the south-west, where South Moluccan gunmen are holding four teachers hostage; and to the train, standing in open country nine miles to the north, where their comrades hold a further 52 captives.

The sieges—now in their 17th day—follow a similar South Moluccan swoop in December 1975, when they seized a train at Beilen and the Indonesian consulate at Amsterdam in support of their quixotic demand for an independent republic in their former homeland, now ruled by Indonesia.

On that occasion, three hostages were shot on the train, and a fourth fell accidentally to his death from the consulate. So far this time, there has been no more than threats. A combination of the Dutch Government's insistence that the children's release must precede any negotiations and of gastric flu secured the release of the 105 children originally held in the school. Since then, there have only been minor concessions from the gunmen including the release of two pregnant women on Sunday.

In the bunker—whose occupants, and their activities, are carefully shrouded from public view—the key task of actually talking to the terrorists lies with a 54-year-old psychiatrist, Dr. Dick Mulder. As chief prison psychiatrist to the Justice Ministry, he successfully conducted negotiations at the Indonesian consulate in 1975, and also advised on the handling, likewise successful, of the Scheveningen prison siege in 1974.

In the negotiations of the past two weeks he has been able to draw upon a growing body of understanding and techniques for coping with sieges developed by police and psychiatrists internationally over the past few years, to counter the taking of innocent hostages, particularly in support of political demands.

## Pattern

Before the 1960s, political terrorism—though not uncommon—tended to be an extension of guerilla warfare, aimed principally at the soldiers and officials of foreign rulers. This holds true for operations as diverse as those of the original Irish Republican Army against the British before 1921, the activities of the Irgun Zvai Leumi in what was then Palestine, those of the FLN in Algeria; of the Mau Mau in Kenya, and of General Grivas's EOKA in Cyprus.

In the 1960s the pattern changed. Political kidnappings became much more common, and, in the wake of the Arab failure in the June War of 1967, Palestinian terrorists began successfully hijacking aeroplanes, and taking groups of hostages—often with tragic and unforeseen consequences. Both kinds of action quickly found imitators elsewhere, among political groups and—particularly in the U.S.—among ordinary criminals and the mentally ill.

That they did so was in substantial measure due to the extraordinary publicity a terrorist incident gets, particularly on television. Publicity was frequently one of the terrorists' main aims. And just as it conditioned their behaviour, so also it affected the response Governments could make to their attacks. They could only use methods which the public would accept.

What the public will accept and therefore what the authorities can do varies from country to country. In Israel, which regards itself as being at war with the Palestine Liberation Organisation, the policy of making no deals and going in shooting may be acceptable even if—as at the siege of Ma'alot in May 1974—it means that schoolchildren are killed. In most Western countries, however, publicity reinforces the importance of getting the hostages out alive, and, if remotely possible, without violence.

The effort to do so without giving in to the terrorists led to the new sophistication in dealing with sieges displayed by, for example, the British in the Spaghetti House and Balcombe Street sieges of 1975, the Irish in the Monasterevin siege following the kidnapping of Dr. Tiede Herrema, in the same year, and the FBI in countless acts of hostage-taking by criminals in the U.S.

One basic rule in operations of this kind is to keep the terrorists talking. The negotiator has a key role on which all else depends. It is enormously difficult, demanding an ability not only to establish a relationship with the terrorists, but to understand the position they are in, and see the world through their eyes. The negotiator—in the case of the Dutch sieges Dr. Mulder—needs all the information that can be gathered about the terrorists. If remotely possible, the place under siege needs to be electronically bugged. Lowering the temperature is one of the negotiator's chief aims; he must smooth the ups and down in the terrorists' mood, and stop them behaving impetuously, particularly in the period following the hostage-taking. In this period says Dr. Ochberg, Director of Mental Health Services for the U.S. Government, the terrorist frequently wishes to show power. He is liable to do so in an irrational way. The negotiator needs to tide him over until he first becomes more rational, and subsequently demoralised and exhausted.

As the siege draws on, sympathy and even affection may develop between gunmen and hostages which make it more difficult for the hostages to be killed. As Dr. Mulder commented after the end of the siege in the Indonesian embassy, "a sense of shared fate occurs." This can take striking forms: Dr. Mulder said that some of the women hostages in the consulate showed "an almost erotic relationship with the occupiers."

## Bargain

Another key function of a negotiator is simply to bargain, a difficult task where a Government is determined not to concede any demands. Experts stress that—besides playing for time and the release of hostages for final concessions—the terrorist must as a rule be stopped from feeling absolutely desperate and without hope.

Though the broad lines of tactics used by different countries are fairly similar, there are significant differences. At the Balcombe Street siege, as at the Spaghetti House, the British authorities offered, from the outset, nothing but unconditional surrender. Since the gunmen already faced maximum sentences for their previous killings and seemed to have nothing to lose that made the negotiator's task all the more formidable. Strangely, they were able to play upon the gunmen's anxiety not to disgrace the Republican cause.

By contrast, in the negotiations at Assen, the authorities did not categorically refuse the South Moluccan's demand for a plane, stalling instead by saying that as long as the terrorists refused to reveal their destination, they could not get a crew for the plane.

How reliable then are these methods for dealing with sieges? With cases involving ordinary criminals and the mentally ill they appear to work well. These occur most frequently in the U.S., where the response is now virtually routine. In 1974, the FBI established a behavioural sciences unit, which has trained agents in each of the Bureau's 59 offices to deal with kidnappers. The success record is good.

Psychiatric experts disagree on how far political hostage-takings present distinctive and intractable problems. In an article written shortly after the Balcombe Street siege, Dr. Peter Scott, the forensic psychiatrist who advised the police both there and at the Spaghetti House, appeared confident. "It is probably true to say," he wrote, "that unless the captors are constantly being encouraged and instructed from their organisation outside (which certainly did not happen either in tha Spaghetti House or at Balcombe Street, and would in any case be very easily controlled by the police) then the difference between the political and plain criminal captors rapidly diminishes."

Another British forensic psychiatrist, Dr. Paul Bowden, consultant and senior lecturer at St. George's Hospital, takes a more pessimistic view. In particular he thinks too much has been made of the question of the building up of sympathy between terrorist and hostage. Of the successes with terrorists so far, he feels: "Frankly, they've been lucky."

## Advantages

In cases like the PLO's hostage-takings in particular, the terrorists have a number of important advantages over the mere criminal. The criminal, in very many cases, takes hostages when cornered, and is ill-equipped both psychologically and tactically. By contrast, the terrorist is likely to select his hostages in advance, taking care to take either a substantial number, or hostages whose lives the authorities will want to save. He will also have detailed plans, be fighting on ground he himself has chosen, will have the psychological support—and frequently a willingness to die—given by a cause, and will in many cases have studied the methods the authorities will deploy against him. In the case of the police successes at Balcombe Street and Monasterevin also one needs to remember that these were cases when the gunmen had not planned the sieges, but had been cornered.

Although the present sieges in Holland were deliberately conceived and planned by the South Moluccans, the signs, so far, are encouraging. No hostages have yet been killed in cold blood after the third day of any siege, and the Moluccans do not appear to be the kind of ultra-ruthless, Palestinian-style terrorists who would resist the development of sympathy with their captives.

Psychologically sophisticated techniques of coping in a siege never appear to have been tried against Palestinian terrorists. The slackening off in their activities appears rather to be due to a reassessment of the usefulness of terrorism, and the Palestinians' own problems in Lebanon. Similarly, the IRA terror campaign in England appears to have slackened off, partly because of police successes, and perhaps also partly because of a reassessment of its political value.

But this does not diminish the importance of the successes so far notably against the IRA in Britain and the Irish Republic. Hostage-taking, particularly in view of the enormous publicity it gets, threatens the whole legal structure of a society, and indeed it is often intended to do precisely that. A terrorist who can make the authorities concede his demands not only breaks the law, but makes the State acquiesce in his doing so, in full public view.

The struggle is, in a sense, a symbolic one. The peaceful victories of Balcombe Street and Monasterevin represented a triumph for legality. The millions who watched these events on television saw men failing to get their demands by violent and illegal means. They saw the forces of law and order in control, coping by ordinary, rational and civilised methods, without the need to follow the terrorists in the resort to violence.

Food being let down to the gunmen during the Balcombe Street siege in London. The supply of food was one of the bargaining counters that the police used in dealing with the gunmen.

# Letters to the Editor

## Generating wealth

*From Mr. F. Crawford-Grundy.*

Sir,—Up until recently I was general works manager in one of the branches of a nationally known engineering group, and was responsible for some 420 staff and works employees. My prospects were reasonable, conditions and salary adequate.

To-day, however, I am managing director of two £100 companies, and do not have any full-time staff. I also have to fight for every £ that comes into my pocket. For the first time I can honestly say that I am using my education fully, and also my previous industrial experience. My operations may grow, they may not, but at least I am trying to stand on my own feet, life has become exciting and I am continuing my learning, not from text-books, but from the sharp end of business.

I would suggest that it is through the small and growing companies "dynamically led" that our country is going to regain its prosperity. Consequently, I would ask that the Government consider how more effectively backing could be given to the new company, the entrepreneurial idea, research into new products—substituting against imports, or to cheapen production methods improving export effectiveness. (The latter two points are relevant to U.K. industry as a whole.) I believe that this wealth generation strategy should be given priority over the continual bailing out of lame duck companies with Government—sorry, your money and mine also.

What I suggest may not be popular short term, but as the new strategy develops, it is this which will pull down inflation and unemployment, not continual handouts to the dinosaur companies of the land, despite their being household names.

To those readers who suggest my education has been wasted, or that I have joined the ranks of "the might have beens," I could only point out that I am backing my own proposals by my actions; that is, my two mini companies. Further, I have not yet been offered a directorship of British Leyland, or parliamentary candidacy for "Anywhere on Sea." I live in hope, however.

F. Crawford-Grundy.
*Glenfeulan House,*
*Shandon by Helensburgh,*
*Dunbartonshire.*

## Pensions outlook

*From Mr. A. Feupel.*

Sir,—While it is desirable that firms should do their best to provide for adequate pensions, it seems to me that the best intentions will be frustrated by inflation.

As far as private schemes are concerned the current rate of inflation is considerably in excess of the yield from investments, the result being that at the end of every year the invested funds are of less real value than they were at the start. Property provides the better security but the yield is even lower than that from "Gilt-Edged" or equities. The eventual improvement will only come about by increased rents, but this will also add fuel to inflation.

The Government scheme sounds good on paper but it would be borne in mind that the Government has no arrangement for funding contributions and is incapable of saving. The prospect therefore is that the contribution levied from the active will grow more and more intolerable as the proportion of retired increases and this will be further aggravated by the need of providing index-linked pensions for the enormous privileged sector.

A. P. Feupel.
*67, Clerkenwell Road, E.C.1.*

## The threshold of VAT

*From Mr. N. Lawson, M.P.*

Sir,—I was most interested to read the letter (June 1) from Mr. A. Jacobs, the economic and taxation adviser to the Liberal Party, with its revelation about the concession on VAT that Mr. Pardoe "found it was necessary to make" to the Government.

Mr. Jacobs's lack of familiarity with Parliamentary procedure has, however, led him into error over the Conservative racehorse amendment. The main vote here was on Amendment 207, which received the full support of the Conservative members of the standing committee. Mr. Jacobs is, I think, confusing this with an earlier vote on another amendment in the same group, which the mover himself described as merely "technical," and on which the Conservative "front bench" abstained. On neither occasion did a single Conservative vote against the amendment in question. Mr. Jacobs may confirm this by reference to the standing committee D Hansard for May 26, cols. 3134 and 367-8.

While on the subject of error, may I take this opportunity to correct a typing error which crept into the letter from me that you were kind enough to publish on May 30? The second sentence of the second paragraph should have read "A Conservative new clause to raise the VAT threshold from *£5,000 to £10,000* was given an unopposed Second Reading," and not, of course, ". . . from £7,500 to £10,000 . . ." I apologise to your readers for the fact that my preoccupations as Opposition Whip on the Finance Bill Standing Committee prevented my spotting this before despatching the letter.

Nigel Lawson.
*House of Commons, S.W.1.*

## Fine weather motorists

*From Mr. A. Lamb*

Sir,—Some of the low sales figures for motor cars in the U.K. may, in part, be due to an idiotic attitude by many dealers—in and around this city at any rate—to keep their showrooms full of spotless cars. Seeing a new car looking absolutely spotless is what one would expect, but one does not buy a car because of this. In order to consider buying a car, one must have a test-drive.

I have bad first-hand experience of negative attitude displayed by one motor car distributor, and it is as follows. I telephoned regarding a motor costing in the region of £10,000, requesting a test-drive. One of the directors spoke to me and said that in order to drive one of their cars I must choose a fine day, because if the car was out in bad weather it would take his work-force (or part of it) three days to repolish the car so that it could go back into the showroom. He said that it would be best if I telephoned when I wanted a test-drive and the weather was fine—he was evidently not prepared to arrange a provisional date and then telephone me if the weather was "unsuitable."

In order to test a motor car thoroughly I think all motorists will agree that it is necessary to drive it over rough surfaces, wet surfaces and muddy surfaces as well as nice, clean, smooth, dry roads. Many motorists agree with me that a car can be better tested in wet conditions, and I think that most people—motorists or not—will agree that the possibility of effecting a sale in the region of £10,000 is completely worth three days' work on cleaning the vehicle, even if it is not sold.

The sight of a showroom packed with new spotless cars may delight the eye of customers, but I am sure that the boards of directors of the companies which manufacture these vehicles would be very pleased to see the showrooms of such companies completely empty.

Adrian T. Lamb.
*44, Portland Road,*
*Stoneygate, Leicester.*

## Freedom of TV expression

*From Mr. H. Benjamin.*

Sir,—One thing which emerges strongly from your TV critic's cry of anguish "what hope is there for those of us who really believe in freedom of expression?" (June 1) is the widening gap which has emerged between those whose main interest (and livelihood) is the creation and production of TV programmes and an increasing majority of most shades of opinion among the viewing public.

"Where censorship exists it surely does so for the protection of the very young and those of less than mature mentality. That TV censorship is considered necessary is clearly because these categories are likely to be viewers of the TV medium to a much greater extent than, for example, the theatre and the cinema. Your TV critic's complaint of "the bossy-boots brigade" smacks of the adventurous schoolboy's cry of "cissies." When people declare that they dislike a programme it does not necessarily mean, as your TV critic suggests, that they are embarrassed by it; of those who choose not to watch blue films not all are aesthetically unsophisticated.

Your TV critic is clearly a man of gentle outlook (how else his new-found interest in Children's Hour?) and he will have to accept that many of the "bossy-boots brigade" not only have genuine concern for the social consequences of "sexanviolence" and consider that their importance sometimes outweighs freedom of expression; but also that many of them have greater knowledge and understanding of those who need protection than most of those who work in television centres and who provide so much pleasure.

H. Benjamin.
*Stanhoe Hall,*
*King's Lynn, Norfolk.*

## AA breakdown services

*From the Public Relations Manager, the Automobile Association*

Sir,—Mr. R. S. Camplin (June 1) suggests that the AA should operate a no-claims discount scheme for those members who have been fortunate enough not to have to call on the AA break down service over a number of years.

There is a big difference between the AA subscription and the motor insurance example he appears to be asking us to follow. Motor insurance is a high premium and big claim risk business. If one took another insurance example, say for household contents, where the premium is lower, there are not many schemes offering no-claims discounts.

Not all the present subscription would be available for a breakdown service discount scheme. The handbook and the legal defence service are just two examples of the wide range of our membership services that are paid for from the basic subscription. These services are used on millions of occasions a year and are thus very far from being as negligible as Mr. Camplin suggests.

The AA breakdown service was used on 2.5m. occasions last year—an average of about half the membership. An analysis shows that only a very small minority of the members make such a number of calls as amounts to abuse. Furthermore, the assumption that new or well-maintained cars go smoothly on their way and the AA resources are taken up by old bangers is not borne out by the facts. All our past researches have shown there is little difference in the breakdown rate related to the age of the vehicle.

To set up the necessary administrative systems to keep records of the 2.5m. individual breakdowns would mean another computer as well as staff and paperwork, and the costs of all this would have to come from members, even those who do not break down.

Over the last 70 years we have built up a tradition of helping motorists stranded on the road whatever the reason. We often provide help to those with what amounts to a self-inflicted problem—keys locked in the car or the 50,000 drivers who ran out of petrol last year are but two examples.

It can happen to the most conscientious of us and the AA is there to help with a smile and not a printed notice to say you have lost your no-claims bonus.

R. S. Campbell.
*Fanum House, Basingstoke,*
*Hants.*

## Accounting for inflation

*From Mr. D. Goch.*

Sir,—Although I was an early critic in your correspondence columns and elsewhere of the Morpeth Committee's exposure draft 18 on inflation accounting, I was always conscious of the fact that the group was inhibited by outside constraints on the method and timing of the implementation of its current cost accounting proposals.

In the light of the volume of criticism of ED18 I think the reported decision of the Morpeth Group that a second exposure draft is unnecessary and that postponement of the introduction of CCA will be limited to only six months (June 1) reveals a colossal insensitivity to the strength of expert opinion that much more thought about and practical experience of the methodology is needed before we launch into a full-scale scheme.

The public stance of the chairmen of the group during the discussion period that has just closed has unfortunately created an impression that his mind is made up and that nothing else will unmake it.

Desmond Goch.
*4, Paddock Wood,*
*Harpenden, Herts.*

# To-day's events

GENERAL

Commonwealth Conference opens, Lancaster House, W.2. The Queen and Duke of Edinburgh give dinner party at Buckingham Palace this evening for participating Heads of Government.

Nuclear Planning Group of NATO begins two-day Ministerial meeting in Ottawa under chairmanship of Dr. Joseph Luns, NATO secretary-general.

Mrs. Margaret Thatcher, Opposition leader, opens Grosvenor House Antiques Fair (until June 18).

Paris International Air Show, Le Bourget airfield (until June 12).

OFFICIAL STATISTICS

Retail sales (April, final). Hire-purchase and other instalment credit business (April).

COMPANY RESULTS

Brown Shipley Holdings (full year). Hanson Trust (half-year). McCorquodale (half-year). MEPC (half-year). Metal Box (full year). Pegler-Hattersley (full year). Westland Aircraft (half-year).

COMPANY MEETINGS

See Week's Financial Diary on page 8.

JUBILEE CONCERTS

London Schubert Orchestra, New English Singers and London Gabrieli Brass Quintet, in programme sponsored by the Stock Exchange, perform works by Britten, Vaughan Williams, Berkeley, Byrd, Tallis and Purcell, St. Bartholomew-the-Great, West Smithfield, E.C.1, 7.30 p.m.

New Philharmonia Orchestra, conductor Stanley Pope, in programme of Walton (Orb and Sceptre); Schubert (Symphony No. 8—Unfinished); Wagner (Overture, Die Meistersinger); and Dvorak (Symphony No. 9 in E minor), Royal Festival Hall, S.E.1, 8 p.m.

Orchestre de Paris, conductor and soloist Daniel Barenboim, play Beethoven's Piano Concerto No. 1 in C and Symphonie Fantastique, by Berlioz, Royal Albert Hall, S.W.7, 7.30 p.m.

JUBILEE SERVICES

St. Giles Cripplegate, Barbican, E.C.2, 1 p.m.

St. Katharine Cree, Leadenhall Street, E.C.3, 1 p.m.

St. Peter, Cornhill, E.C.3, 1.10 p.m.

JUBILEE EXHIBITIONS

Queen Victoria's Jubilee of 1887, including paintings from the Royal Collection, Royal Academy of Arts, Burlington House, Piccadilly, W.1 (until July 10).

Royal Jubilee Exhibition, including George III's collection of coins and medals, King's Library, British Museum, W.C.1 (until July 24).

Jubilee souvenirs, Design Centre, 28, Haymarket, S.W.1 (until September 31).

Royal Portraiture in Photography, National Portrait Gallery, St. Martin's Place, W.C.2 (until October 2).

Jubilee Masterpieces, Victoria and Albert Museum, Exhibition Road, S.W.7 (until December).

SPORT

Golf: Martini International, Blairgowrie, Perthshire. Tennis: Nottingham tournament.

# COMPANY NEWS

## Newman Inds. sees big increase

PERFORMANCE IN the current year for Newman Industries indicates that, subject to economic and political uncertainties, group sales of £45m. and a pre-tax profit of twice that achieved in 1976 should be attained in 1977, says Mr. A. F. Bartlett the chairman, in his annual statement.

As reported on May 19 pre-tax profit for 1976 fell from £1.98m. to £1.71m. on turnover of £28.71m. (£25.96m.). The dividend is stepped up to 3.1885p (2.8806p adjusted) net per 25p share.

A geographical analysis of turnover for 1976 shows: U.K. £13m.; North America and Australasia £7.84m.; West Africa £3.88m.; and other overseas countries £4.68m.

While there now appears to be reasonable hope for a recovery in the U.K. economy based almost entirely on the inflow of North Sea oil and gas, the chairman says that the group has always regarded the overseas markets as being the prime areas for growth and long-term profitability and the corporate structure envisaged at the end of the current year should be ideally suited to the maximisation of exports and overseas business, he adds.

Any improvement in the U.K. economy should add to the company's overall profit and strengthen its manufacturing base in this country.

The reduction in margins reflects the fact that in 1976 the company's traditional business in industrial electric motors suffered its most severe recession for many years but the new activities acquired in 1975 and developed during 1976 provided a compensatory profit contribution, Mr. Bartlett adds.

This has enabled the group to complete a successful transition to a multi-product, multi-market organisation.

Overseas business increased by one third during 1976. Agreement has been reached, Mr. Bartlett says, for substantial E.C.G.D. support during 1977 which will not only assist further expansion of exports but also reduce proportionately the utilisation of present bank facilities.

The group, he adds, is in a position to absorb further growth potential. Negotiations are under way for the acquisition of an international engineering marketing and manufacturing group. While such an acquisition, if successful, will contribute additional profit during the current year its real value will be the opportunity it presents for expansion of overseas business, the addition of new products and the introduction of new management skills, the chairman says.

The group is therefore continuing its policy of planned growth maintaining current profitability while creating profit potential.

The group now owns 88.4 per cent. of the equity of Alfred Clough and it has also purchased the balance of shares of Agar Cross and Company. Both former associates have therefore become subsidiaries.

The investment in Metropole Industries was sold at a profit and the investment in Dover Engineering Group increased to 23.0 per cent.

As part of the company's rationalisation policy the wholly-owned subsidiary, Moore Reed and Company was sold, resulting in increased group liquidity, while agreement for the sale of another wholly-owned subsidiary, Systems Control, was implemented early in 1977.

A source and application of funds shows an increase in working capital of £142,000 compared with £3.29m.

On May 31 Stanley Thomas Johnson Foundation held 1,732,262 Ordinary shares (19.3 per cent.).

Meeting, Bristol, July 13 at noon.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Hanson Trust, McCorquodale, MEPC, Westland Aircraft.

Finals: Brown Shipley, Cullens Stores, George Doland, Equity Consort Investment Trust, Era Industries, Metal Box, M. and G. Second Dual Trust, Pegler-Hattersley, Trelux, Warnford Investments.

FUTURE DATES

| | |
|---|---|
| Interims | |
| Bluemel Bros. | June 15 |
| Dobson Park Industries | June 14 |
| Finance and Industrial Trust | June 9 |
| Lee (Arthur) | June 13 |
| Turner Manufacturing | June 17 |
| Finals | |
| Aurla Industries | July 14 |
| Allied Retailers | June 13 |
| Bishop's Stores | June 9 |
| Brownlee | June 16 |
| Charter Consolidated | June 9 |
| Harrisons and Crosfield | June 13 |
| Johnson and Matthey | June 14 |
| Kennedy (Allen) | June 10 |
| Scotcros | June 13 |
| Western Motor | June 9 |

## Pergamon expects to pass £3m.

MANAGEMENT FIGURES to the end of May showed that earnings of Pergamon Press were strongly ahead of the same period last year, Mr. Robert Maxwell, chairman, told the annual meeting.

And he was confident that the current year's profit would exceed £3m. compared with £2.35m. last time and £0.62m. in 1975. He also expressed confidence that dividends would be resumed as from the end of this year.

With its strong financial position, the company was continuing to acquire the freehold or long leasehold of all the manufacturing and office premises that it occupied.

## More growth for Flight Refuelling

IN a generally optimistic statement Mr. M. J. Cobham, chairman of Flight Refuelling (Holdings) forecasts a continuation of the upward trend in group results in the current year.

In 1976 profits were well on target rising from £590,390 to £973,400, on a turnover of £8.75m. against £6.42m. The chairman feels it is a positive achievement not just to have increased turnover and profits in monetary terms but to have done so significantly in real terms.

Furthermore if the current forecasts of impending major re-equipment programmes for the world's air forces and airlines are correct, "such a performance augurs well for the future."

Nevertheless Mr. Cobham stresses that if Britain together with its partners in Europe are to obtain a worthwhile share of this potential market it is vital that a cohesive and viable European aircraft industry is maintained. He is convinced that continuing European collaboration on joint projects is essential with Britain taking the lead in the implementation of one or more such projects.

During 1976 work continued on the design and development of a new and improved in-flight refuelling unit which the chairman believes will meet the requirements not only of the RAF but of air forces throughout the world in the 1980s.

The production of aircraft fluid systems equipment remains the largest single part of the business and in 1976 there were record deliveries in this area. Direct exports constituted more than 30 per cent. of such sales and, light aircraft apart, the group is currently supplying equipment to the majority of civil and military aircraft manufactured in Europe.

A source and application of funds statement shows an increase in net liquid funds of £661,900 (£252,000 decrease). At December 31 the overdraft stood at £27,100.

Meeting, Painters Hall, E.C., July 1 at noon.

## McNeill looks to exports

THE economic recession in the U.K. is expected to continue during 1977 but The McNeill Group aims to consolidate its position in the home market along with development of the export trade, states Mr. D. B. McNeill, chairman.

He reports to members in his annual statement that intensive investigations have been carried out into the possibility of expanding group activities into Nigeria and a local Nigerian company has been registered to carry on business.

The postponement of many projects in private and public sectors of the construction and building industry and particularly in the specialised pipe sector, led to a dramatic change in group affairs during 1976—as reported on May 19, the company incurred a pre-tax loss of £72,947, compared with a profit of £327,398. Turnover was steady at £13.82m. (£13.6m.).

Despite the disappointing result, net current assets improved by £67,000 (to £1.45m.) and bank borrowings at year-end dropped by £196,000 to £2.61m. The overall borrowings of the group are within the facilities available and total assets stand at £4.25m.

Meeting, Belfast, June 28, noon.

## Chemical spending up at Shell

Mr. E. G. G. Werner, a managing director of Royal Dutch-Shell Group of Companies and chairman of Shell International Chemical Company, said in Paris over the week-end that Shell's capital expenditure on chemicals outside North America doubled last year and will be up another 60 per cent. in 1977 to nearly US$400m.

He said there were "several strong indicators that demand for chemicals will continue to rise 3 per cent. to 4 per cent. faster than growth in overall industrial activity."

The bulk of new chemicals investment was going into Western Europe with the largest slice earmarked for France. Shell Chimie's plans envisage construction of a 350,000 tons-a-year ethylene cracker at Berre to be on stream in 1980, plus a cluster of downstream plants supplied from the cracker. If the complete project goes ahead this would cost $680m. over the next few years and would more than double Shell Chimie's assets in real terms. Large investment programmes were also planned in the Netherlands and the U.K.

Mr. Werner sounded, however, a cautionary note about the rising level of chemicals exports from the countries of Eastern Europe. In recent months the impact of these products had been felt particularly in fertilisers and synthetic rubber. In France some 20 per cent. of all synthetic rubber sold was now coming from Eastern Europe and in the Netherlands the figure was more than 30 per cent., he said.

Mr. A. Benard, a managing director of Royal Dutch-Shell Group, said that 1977 capital expenditure by Royal Dutch-Shell Group excluding Shell Oil and Shell Canada would be close to $2.4bn., an increase of more than one third over the level last year and would remain at least at the same level in 1978.

The largest single slice of capital investment, more than $105m., would go into the development of new oil and gas production, a 50 per cent. increase over last year. In the marine sector, however, there had been a reduction. In capital expenditure which was being halved to just over $95m.—down from $374m. in 1975; the peak year.

### J. O. WALKER

In 1976, turnover of J. O. Walker increased (from £5.65m. to £6.73m., and not to £7.63m. as inadvertently reported on June 3.

## BIDS AND DEALS

## Gilgate sales cut borrowings

Gilgate Holdings has disposed of some 30 acres of industrial land and buildings at the 90-acre Lune Industrial Estate, Lancaster, for £1m. cash, and this has been applied in reduction of the short-term borrowings, which now stand at about £1m. Arrangements have also been made for £200,000 of this short-term borrowing to be converted into a five-year loan at a fixed rate of 10 per cent. repayable by equal quarterly instalments.

Additionally, contracts have been exchanged for the disposal of two small parcels of undeveloped industrial land at Rainham, Essex, for £36,750 cash, which will be applied in further reducing short-term indebtedness.

All these disposals are at or near book value and will reduce pre-tax profit by about £30,000 per annum. Further significant disposals of property are in course of negotiation. The Board believes the transactions have materially improved the financial stability of the group.

Gross rental income of the group currently contracted is running at about £310,000 annually, which should exceed interest charges at current rates on borrowings during the year to June 30, 1978. The Board anticipates that as a result of rent reviews, etc., on retained properties, over the next three years, gross rental income will increase to an annual rate of about £440,000.

The Board says that the return to profitability for the half year to December 31, 1976, is being maintained.

Although results for the year to June 30, 1976, and half year to December 31, 1976, were announced at the same time as the announcement of the appointment of inspectors by the Department of Trade, this formal information may be further delayed. The Board will endeavour to reduce this delay to a minimum and keep shareholders informed of material developments.

### B & C SHIPPING

The British and Commonwealth Shipping Company announces that Humana Inc. has exercised its option to acquire the 51 per cent. balance of the capital of Wellington Private Hospital.

### SECURICOR

Securicor Group is to buy a motor body building factory at Bedwas, South Wales, as a going concern from Arlington Motor. Contracts have been exchanged. The purchase price is less than 3 per cent. of the net assets of both Arlington and Securicor. Securicor says the purchase is in line with its policy of making acquisitions complementary to its main trading activity. It intends to offer a full range of bodies for all vehicles from the small van up to the 32-tonner.

### REDIFFUSION

A member of the Rediffusion Group, has acquired the capital of Crystal Electronics from Derrilron.

Consideration, together with a repayment of loan capital to Derrilron, amounts to approximately £39,000.

Crystal Electronics of Millbrook, Southampton, is leading manufacturer of crystal filters which are sold to radio and telecommunication companies in the U.K. and abroad.

## SHARE DISCLOSURES

W. H. Smith and Son (Holdings)—Mr. G. W. Rowe, a director, has reduced his holding in "B" Ordinary shares by 3,481.

Courts (Furnishers)—Mr. G. S. Davis is beneficially interested in 300 Ordinary shares (0.02 per cent.) and 7,078 "A" Ordinary shares and non-beneficially interested in 323,076 Ordinary shares (14 per cent.) and 484,882 "A" Ordinary shares (3.83 per cent.).

Francis Sumner (Holdings)—Mr. N. Openshaw, a director, has purchased 150,000 Ordinary shares from Mr. and Mrs. Heimann in their capacity as non-beneficial trustees of a family trust. Mr. Maimann is chairman of Francis Sumner.

CCH Investments—Mr. G. A. S. Corrie, chairman, has reduced his beneficial holding of Ordinary shares to 1,000.

Crystalate (Holdings)—Mr. J. B. Leworthy has purchased 3,000 Ordinary shares.

C. E. Heath and Company—Mr. R. J. G. Shaw, a director, has purchased 2,000 Ordinary shares.

Baraeora Tea Holdings—Mr. G. F. Nelson holds 6,233 Preference shares (6.57 per cent.).

R. Cartwright (Holdings)—Mr. J. C. Northam, a director, holds under family and trusts 268,929 shares following the sale on May 3 of 3,000 shares.

AGB Research—Under terms of the employee loan scheme Mr. D. M. Wharrie and Dr. S. F. Buck, directors, have acquired respectively 25,000 and 6,000 Ordinary shares in the company.

Ash Spinning Company—Mr. A. B. Johnson, a director, has acquired an additional 5,000 Ordinary shares making his total holding 29,500 (3.69 per cent.) shares.

Cope Allman International—Dr. C. W. Pilkington has taken up 23,820 shares under the terms of the executive share incentive scheme and on June 2 sold 6,000 shares.

Beralt Tin and Wolfram—Bakelite Xylonite has acquired a further 200,000 Ordinary shares and now holds 1,220,000 (10.63 per cent.) shares.

Gieves Group—Following the recent rights issue, Mr. R. W. Grieve is now interested in 215,485 Ordinary shares (5.5 per cent.).

Carrington Investments—Oevonburst Investments, a company jointly owned by R. W. Orton and P. O. Bevan, has purchased 000 Ordinary shares in Carrington.

Third Mile Investment Company—Miss E. B. Linder has sold 600,000 shares (25 per cent.) and Antony Gibbs Investment Management has purchased 150,000 (6.25 per cent.) shares.

Deritend Stamping Company—Following the rights issue C. W. Perry has acquired 29,384 shares. D. C. Reeves has acquired 640 shares. J. R. Welch has acquired 240 shares and W. M. Peterson has acquired 40 shares.

Homfray and Co.—Mr. D. E. Gillam, a director, holds 950,363 Ordinary shares (6.16 per cent.) of which 532,340 (3.45 per cent.) are non-beneficial and Mr. H. J. H. Gillam holds 1,619,485 Ordinary shares (10.5 per cent.) of which 1,276,848 (8.28 per cent.) are non-beneficial.

The non-beneficial holding of D. E. Gillam and H. J. H. Gillam are duplicated to the extent of 137,982 Ordinary shares (1.02 per cent.).

West Coast and Texas Regional Investment Trust—Granvill Investment Trust holds 130,000 Ordinary shares (5 per cent.).

Horace Cory and Co.—Mr. P. L. Kohnstamm, a director, and a company which with associates he controls, are now interested in 2,468,931 Ordinary shares (26.8 per cent.) of Cory.

Renishawite and Co. Engineers—Mrs. G. V. Harper, wife of Mr. S. J. Harper, a director, has acquired 467 Ordinary shares.

George M. Whiley—Mr. G. A. Hansen, a director, beneficially holds 137,937 shares, his wife, Mrs. D. G. Hansen, beneficially holds 21,000 and he is a trustee, having a non-beneficial interest of a further 62,062 shares.

Travis and Arnold—Mr. E. R. Travis disposed of 15,000 Ordinary shares on May 25 and Mr. E. R. A. Travis disposed of 5,000 shares on Nov. 25 and 10,000 shares on May 26.

Rockware Group—Mr. M. J. Witcher, a director, has acquired 192 shares.

Astra Industrial Group—Mr. D. G. Dukes holds 750,000 (3.77 per cent.) Ordinary shares.

Reliance Knitwear Group—Prudential Assurance Company has acquired 450,000 shares (7.68 per cent.).

Property Holding and Investment Trust—Mr. A. W. John, a director, has purchased 391 4½ per cent. Cumulative Preference shares.

Britains—Mr. K. R. Latchford and R. J. F. Ward have disposed of 73,900 Ordinary shares for a total consideration of £1 and 7,933 4.2 per cent. Cumulative Preference shares for a total consideration of £1. Mr. K. R. Latchford has acquired 36,950 Ordinary shares for a total consideration of 50p and 3,966 4.2 per cent. Cumulative Preference shares for a total consideration of 50p.

### EVERED FORECAST

At the annual meeting of Evered and Company Holdings, Sir Timothy Harford, chairman, said management accounts indicate that the group traded at a profit for the first quarter of the current year and this supported the Board's expectation that the group would return to profitability this year.



## Foseco Minsep confident

EVEN THOUGH trading conditions in the steel industry remain depressed the directors of Foseco Minsep are confident of the major long-term potential for the development of the company's metallurgical business, says Mr. E. Weiss, the chairman, in his annual statement.

He adds that the momentum of Fosroc International development is accelerating and Fosmin and Fospur anticipate further profitable growth in the current year.

Steps already taken to resolve difficulties in North America are proving effective and Mr. Weiss says he is confident that the Foseco Steel operations will return to steady growth.

As reported on April 25, 1977, pre-tax profit was ahead at £15.87m. (£14.16m.) on sales of £165.43m. (£133.12m.). Good performance by Foseco Foundry was offset by lower profit from Foseco Steel, the chairman explains.

The net dividend is lifted to 4.0971p (3.7246p). Working capital increased £6.79m. (£0.73m.) and net liquid funds were down £2.21m. (up £4.61m.). The net cash outflow of £1.8m. during the year resulted from a positive movement in the U.K. and a negative flow for trading companies in other countries.

Mr. Weiss says the situation reflects the emphasis which the group is placing on development outside this country and it is a trend that will probably continue.

At May 13, 1977, Prudential Assurance Company held 8.27 per cent. interest.

Exports from the U.K. amounted to £6.85m. (£5.36m.) and a geographical analysis of sales and trading profit shows, in £000s: Europe, including the U.K., 93,158 (77,984), 10,561 (9,228); North and Central America 43,156 (32,939), 1,614 (3,107); and Rest of the world 29,113 (22,206), 4,270 (2,475).

The Fosroc sector performed strongly in a difficult year for the construction industry and the profit growth was particularly marked in the operations outside the U.K. Higher profits from Fosmin and Fospur also contributed to improvement of group results, the chairman reports. Foseco Foundry sector performed well in virtually all countries; encouraging real progress was made in the international development of the Fosroc sector and there was a general extension of operating bases in areas of significant growing market potential for the group's products.

The Dubai company achieved fast growth and became profitable during the last quarter. Agreement has been reached to form a Fosroc joint venture company in Sweden and a Fosroc acquisition in the U.S. has been finalised. In the Far East expansion of Foseco Philippines is now under way.

Meeting, 36, Queen Anne's Gate, S.W., on June 28, at 12.30 p.m.

## Selection Trust's new arrangement

Under a new arrangement with the Heerema group regarding the craneship W. S. Thor, London-based Selection Trust has received a lump sum of £7.5m. In addition there will be average annual payments of over £4m. during the four years to March 31, 1981.

The new deal compresses into a period of seven years arrangements that were originally contemplated (in 1973) to last for ten years. Under the old scheme which gave Selection Trust a share in Heerema's profits, an annual amount of £3.7m. after depreciation has been received for the past three years to March 31 last.

The lump sum paid is in compensation for the share of Heerema's profits which are signed away. Selection Trust were ... on Friday.

## Federated Chemical optimism

FULL provision has been made for problem areas at Federated Chemical Holdings and Mr. John Sparrow, chairman, is hopeful that 1977 results will again be satisfactory.

The Tioxide Group, which for the first time has been treated as an associate, operates in a highly competitive business—however he tells members in his annual statement that the directors expect it will again make a major contribution to profits, and the results of the principal U.K. trading activities in the first quarter of 1977 have been encouragingly better than budget with both turnover and profit showing an increase.

As reported May 14, pre-tax profit for 1976 rose from £1.08m. to £2.96m. on turnover up from £30.86m. to £45.82m.

During 1976 working capital increased as turnover rose in both real and money terms. This was financed largely by increased bank borrowings with the facilities available which, he adds, are sufficient to deal with the further growth expected in 1977.

The balance-sheet shows that stocks at year-end increased from £5.38m. to £8.78m.—debtors were up from £6.2m. to £9.81m. Bank overdrafts were up from £1.2... to £3.96m.

Meeting, Connaught Rooms, W.C., June 30, noon.

## FT share information service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Border Breweries (Section: Beers), Conrac Corporation (Section: Overseas, New Y...), Westland / Utrecht Hypotheekbank NV (Section: Overseas, Amsterdam).

# Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

[illegible]

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

## Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from May 28, 1977

| Years | by EIP† | by ER‡ | at maturity | by EIP† | by ER‡ | at maturity |
|---|---|---|---|---|---|---|
| Up to 5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Over 5, up to 10 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Over 10, up to 15 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Over 15, up to 25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Over 25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

## BASE LENDING RATES

A.B.N. Bank; Allied Irish Banks Ltd.; American Express Bank; A P Bank Ltd; Henry Ansbacher; Banco de Bilbao; Bank of Credit & Cmce.; Bank of Cyprus; Bank of N.S.W.; Banque du Rhone S.A.; Barclays Bank; Barnett Christie Ltd.; Bremar Holdings Ltd.; Brit. Bank of Mid. East; Brown Shipley; Canada Permanent AFI; Capitol C & C Fin. Ltd.; Cayzer Ltd.; Cedar Holdings; Charterhouse Japhet; C. E. Coates; Consolidated Credits; Co-operative Bank; Corinthian Securities; Credit Lyonnais; G. R. Dawes; Duncan Lawrie; Eagil Trust; English Transcont.; First London Secs.; First Nat. Fin. Corpn.; First Nat. Secs. Ltd.; Antony Gibbs; Goode Durrant Trust; Greyhound Guaranty; Grindlays Bank; Guinness Mahon; Hambros Bank; Hill Samuel; C. Hoare & Co.; Julian S. Hodge; Hongkong & Shanghai; Industrial Bk. of Scot.; Keyser Ullmann; Knowsley & Co. Ltd.; Lloyds Bank; London & European; London Mercantile; Midland Bank; Samuel Montagu; Morgan Grenfell; National Westminster; Norwich General Trust; P. S. Refson & Co.; Rossminster Accept'cs; Royal Bk. Canada Trust; Schlesinger Limited; E. S. Schwab; Security Trust Co. Ltd.; Shenley Trust; Standard Chartered; Trade Development Bk.; Twentieth Century Bk.; United Bank of Kuwait; Whiteaway Laidlaw; Williams & Glyn's; Yorkshire Bank — rates [illegible] (mostly 8½%–9%).

■ Members of the Accepting Houses Committee.

* 7-day deposits 4%, 1-month deposits [illegible].

† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 [illegible] and over £25,000 [illegible].

‡ Call deposits over £1,000 4%.

§ Demand deposits 4%.

## INTERNATIONAL FINANCIAL NEWS

# Tokai Bank defends loan for Malaysia

BY DOUGLAS RAMSEY

TOKYO, June 7.

JAPAN'S TOKAI BANK to-day defended the terms of a syndicated loan to Malaysia it will manage together with Morgan Grenfell. The two banks recently won the $80m. loan to Malaysia's national electricity board despite stiff competition from the big American banks which are now claiming that Tokai and Morgan Grenfell are charging too little for the finance. In Tokyo, private bankers were more guarded to-day about the possible consequences of further undercutting on interest rates than foreign bankers have been in other Asian financial centres, but there is clearly some concern.

Under the terms of the loan just concluded with Kuala Lumpur, Tokai and Morgan Grenfell will split the syndication, each managing $15m. Tokai has agreed to charge 1 per cent. above the London Interbank offering rate (Libor) and will circulate the Malaysian loan to other participants at the same rate. Morgan Grenfell, for its part, will charge 0.75 per cent. above Libor for its tranche. As a result, the average interest burden to Malaysia will be about 0.875 above Libor. At present rates, that would put the borrowing rate at less than 7 per cent. for the seven-year package. M/C 38—

Tokai Bank confirmed to the Financial Times to-day that no competition would arise over the differentials charged by Tokai and Morgan Grenfell. Tokai will only place its tranche with Japanese banks, and Morgan Grenfell only with banks incorporated in the U.K. Moreover, a Tokai official said, tax-bearing provisions in the U.K.-Malaysia tax treaty will effectively push the interest on Morgan Grenfell's portion to over 1 per cent.

The Malaysian loan marks the return of Tokai Bank to international syndicate management. Its last such venture was in December 1973 on a $12m. loan to Trinidad and Tobago. As such, Tokai may have felt compelled to agree to a lower interest margin rather than pass up an opportunity to get back into the market.

The loan is part of a financing package for a $146m. power project at Johore to be completed in 1981. The World Bank is co-financing the project with about $22m. and a cross-default clause enjoyed by Tokai and Morgan Grenfell. Suppliers credit will account for about $68m. of project financing, and the remainder will be taken up by the Malaysian Government. Kuala Lumpur is still sorting out bids on the project, so it is not known how much supplier credit Japan will eventually provide to the project to back up its bidders, including Mitsubishi Heavy Industries.

The loan rate is the lowest (above Libor) to any developing country since the oil crisis, and a Tokai Bank economist expects that the private loan will actually cost Malaysia less than the World Bank finance (although the World Bank terms are not disclosed).

As recently as May, on a different project, Morgan Guaranty clinched a deal to manage a $100m. loan syndicate for the Malaysian Government over seven years at 1½ points above Libor, already a steep decline in rates for Malaysia from 1976 when the country even had trouble securing less than 1.5 per cent. above Libor on its international borrowings. Hence foreign bankers' fears that the Tokai-Morgan Grenfell will effectively cut margins on loans to developing countries to the bone.

# Portugal-Israeli talks

BY L. DANIEL

JERUSALEM, June 7.

THE FIRST official trade delegation from Portugal ever to visit Israel is currently here for talks on the expansion of commerce between the two countries now that the establishment of full diplomatic relations between them has been announced.

Israel, in 1975 and 1976, doubled her exports to Portugal annually, to reach $30m. last year, as against Portuguese sales to Israel worth $6.5m.

About 100 Israeli firms have set up meetings with various members of the delegation which is interested in the purchase of medical and communications equipment: raw materials for the textile industry, solar heating and agricultural equipment; and know how in the field of poultry breeding. The possibility of a joint venture in solar energy utilisation is under discussion too.

Also in the country is a Mexican trade delegation interested in co-operation with Israeli firms in the fields of furniture production, children's footwear, car spare parts.

# Clean sheet for share deals

HONG KONG'S Commissioner for Securities, James Selwyn, said "nothing suspicious" had been found after "weeks of investigation" into heavy trading and fluctuations in share prices in Anderson (Holdings) and Asia Stone before the announcement of merger talks, reports our Hong Kong correspondent.

Both companies are subsidiaries of Hutchison International.

# Money and Exchanges

**Bank of England Minimum Lending Rate 8 per cent. (since May 13, 1977)**

The signs of nervousness which had been evident in the London money market in the early part of last week, tended to drift away from Wednesday onwards, mainly because of the relaxed attitude of the authorities. Comments from the U.S. Treasury Secretary about the desirability of lower prime lending rates from the U.S. banks may also have helped, although one large factor behind the market's nervousness remains unresolved.

This is the fear of an upturn in inflation later this year if a Phase Three wage agreement is not made between the Government and trade unions within the next month or so. For this reason interest rates for periods of less than one month were rather steadier than the longer periods.

In the early part of last week the market was also continuing to digest the last rise in U.S. prime rates, which moved up at the same time as London rates were still declining, thus further narrowing the differential between interest rates in the two countries.

Evidence of the authorities relatively relaxed attitude to present conditions was seen in their willingness to buy substantial numbers of Treasury bills from the discount houses on days of monetary shortage. The Bank of England bought a small number of Treasury bills and a similar amount of local authority bills to relieve a shortage on Monday, while the assistance on Tuesday included exceptionally large purchases of Treasury bills by the authorities.

Sterling showed little change against the dollar on the week, finishing at $1.7176-1.7180, a rise of eight points. It moved throughout the general range which the Bank of England has appeared to wish to see recently however, touching a low point of $1.7163 on Monday and Tuesday, and a best level of $1.7183-1.7197 on Wednesday. The authorities probably intervened to give a small amount of support to the pound on Tuesday, and was also active to prevent sterling from rising too sharply on Wednesday.

Trading was fairly quiet, however, with many centres closed on Monday for Whitsun or U.S. Memorial Day, while activity also declined towards the end of the week, ahead of the Jubilee Holiday week-end in the U.K.

The pound's index on the basis of the Washington Currency Agreement, as calculated by the Bank of England, was unchanged at 61.6.

Euro-sterling interest rates rose sharply on Tuesday, and discounts for the forward pound against the dollar widened. Three-month sterling finished at 2.75 cents discount, compared with 2.03 cents on the previous Friday, but narrowed again to 1.95 cents by the end of the week.

The dollar's depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York, narrowed to 0.80 per cent. from 1.09 per cent.

Gold fell $2¾ to $141½-142¼ following disappointment at the result of the IMF gold auction. This is the lowest level since early March.

| June 3 1977 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposit | Treasury Bills | Eligible Bank Bills | Fine Trade Bills |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FOREIGN EXCHANGES — [illegible]

OTHER MARKETS — [illegible]

GOLD MARKET — [illegible]

EXCHANGE CROSS-RATES — [illegible]

FORWARD RATES — [illegible]

EURO-CURRENCY INTEREST RATES — [illegible]

SPECIAL DRAWING RIGHTS RATES — [illegible]

## MINING NOTEBOOK

# Jubilation for Tara at long last

BY LODESTAR

IT HAS happened at last. Over the jubilee holiday week-end the big Tara zinc-lead mine at Navan in Ireland has begun to come on stream. As I write the ore has started to go through the mill. By the time these words are in print the first concentrates should be coming out to celebrate the publication of Tara Exploration's annual report.

It has been a long hard road made all the harder by yet another example of the way in which government procrastination can harm the world's mining industry. If it had not been for the long delays and deviations in the granting of the mining lease Tara would have been in production before the end of 1975.

The capital cost would then have been $U.S.87m. (£50.6m.) As it is the company will have done well if it has managed to keep within the limits of its increased budget of $150m. (£87.3m.). It is believed to have done so. Output target, which should be reached around the turn of the year, is 0.5m. tons of concentrates per annum with zinc concentrate accounting for about four-fifths of production.

Since Tara's discovery in the autumn of 1970 (the shares resultantly took off from a modest 18s) the shape of the deposit's ownership has changed considerably. The Irish Government now has a 25 per cent. stake. The Tara company has the other 75 per cent. of an orebody part of which after a prolonged dispute is to be developed by Bula, a private Irish company.

As the result of an abortive take-over bid in 1974 by Canada's Cominco and the Anglo American Corporation's London offshoot Charter Consolidated Cominco ended up with 17.43 per cent. of Tara Exploration and Charter with 10.75 per cent. Canada's Noranda also moved into the play with a stake of 19.93 per cent. while Pat Hughes' Northgate Exploration, the group which made the original discovery, has 9.92 per cent.

A large part of the balance of Tara's capital is also firmly held. So the market in the shares, £14 in London last Friday, tends to be a very restricted one. The ground adjacent to Tara is still being explored for extensions of the orebody. Northgate and a partnership between South Africa's Messina and Canada's Sabina Industries are the chief protagonists. They are meeting with some success.

## Report on gold

Last week I was commenting on the impressive behaviour of South African gold shares despite the lack of inspiration from the bullion price. Subsequently the quiet buying, much of it from the U.S., continued. Our Mining Editor discussed the background to it on Saturday. That share prices intrinsically are not fully reflecting the benefits of the gold price even at its recently reduced level —it was over $150 an ounce in April—is undisputed.

But in the present disturbed state of political events in southern Africa it is a moot point how far shares can go without a fresh upward lift in bullion values. Thus the latest edition of Consolidated Gold Fields' periodic studies of the world gold situation comes at a particularly opportune moment.

Not that it will give gold buffs any great surge of joy by coming to any forthrightly optimistic conclusions. But its detailed tracing of the course of events in 1976 underlines how powerful a role gold still plays in the international financial scene.

Last year a near record 1,448 tons of gold were disposed of in the free market. It is a tribute to the resilience of that market, the report comments, that such large volumes were absorbed at an average price of just under $125. Playing an important part was a "most extraordinary" increase in imports of both gold bullion and gold jewellery into the Middle East. The phenomenal rise in purchasing power throughout the area explains the higher offtake.

The "healthy" increase in the industrial use of gold in carat jewellery, electronics, dentistry and other uses in developed countries is expected to persist in 1977. At last 60 per cent. of the higher fabrication in Europe can be attributed to demand from the Middle East.

On the other side of the coin reduced inflationary fears, the somewhat improved economic outlook and the start of the IMF auctions combined to produce heavy liquidation of investment and speculative holdings of gold last year, a trend that was only reversed in the last quarter when the low price and renewed anxieties about economic prospects revived demand.

It is pointed out that the use of central bank gold reserves as acceptable collateral for international loans has found increasing favour. Although additional programmes of official disposals are always possible, it is considered equally likely that balance of payment surplus countries or those with an important gold component in their reserves will act to remove any destabilising influences.

## Prices and costs

A discussion of gold's statistical position leads to the conclusion in the report that there is "probably only limited scope for short-term capital appreciation based solely on gold's commodity role." In the longer term, however, there will have to be substantial price increases in real terms in order to attract sufficient new supplies to the market to sustain the present levels of demand.

It is noted that, whereas some of the larger mines in South Africa have costs that range down to as low as $39 an ounce (East Driefontein), virtually all the remaining western world primary production is extracted at costs in excess of $100. Significant additions to supply would require prices markedly above $150 because of high and rapidly escalating costs.

What it all boils down to in the long run, and this the Gold Fields report admits, is that the fundamental attraction of gold as a store of wealth will still dominate the course of the market. An environment of economic uncertainty compounded by inflation breeds anxiety in investors and the allure of gold as a refuge from the instability of paper money becomes emphasised.

So, the report concludes, unless the laudable ambitions recently expressed by world leaders are translated into achievements the climate of uncertainty associated with persistently high levels of inflation will continue. The difficulty seems to be that while global solutions are sought domestic political realities often cause frequent and disturbing changes in policy. Thus, "it may be that vacillation rather than inflation will spur the next protective flight to gold."

## INSURANCE

# U.S. court trends pose problems

BY OUR INSURANCE CORRESPONDENT

FROM TIME to time I have noted the ever increasing problems British insurers are encountering in handling, on behalf of policyholders, liability claims which are raised abroad. The greatest problems arise in the United States, where the scales of damages and the contingent fee system by which litigation lawyers work can mean that a claimant in California may get ten times the sum he could obtain before a High Court judge in London.

Insurers are particularly at risk in providing products liability cover for manufacturers exporting to the United States. Enough has been said and written in recent months to bring home to all manufacturers the scale of the problem and to emphasise the price that may have to be paid to obtain partial, let alone adequate, insurance protection.

## Visitors

But it is not only in the products field insurers face problems. Insurers covering hire car fleets must accept a substantial amount of cover will be provided for American visitors who can injure one another in Kent but sue one another for damages back home in Texas.

These problems are aggravated if the products manufacturer or the car hire firm has a business base in the States, for this gives the American claimants and their lawyers a further, local, target.

But American courts have now begun to look beyond manufacturers, motorists, car hire operators and the like, and in some cases claim the right to involve their insurers if the latter have business outlets and assets in the United States. This is now a particular anxiety for many British insurers who trade in America.

At one time, it was thought territorial jurisdiction clauses would afford insurers protection by eliminating those claims which were not actually brought in the courts of this country. Indeed, such territorial jurisdiction clauses are likely to be upheld before our own courts.

But there is increasing evidence of their rejection in the United States.

There is perhaps a ray of light at the end of this particular tunnel. It seems, from reports from the U.S., at long last there is some degree of realisation that "compensationitis" and "consumerism" have gone too far and the balance must be redressed in some way in favour of commerce, potential defendants and their insurers.

In the present climate, therefore, it is astonishing to find the Lord Chancellor's Department has been engaged for upwards of two years in the negotiation of a reciprocal judgments enforcement convention to operate between this country and the U.S.

The negotiations seem to have been regarded largely as an academic legal exercise, as a tidying up process, and to have been carried on without any real regard to the trading and financial consequences, even when the dangers were pointed out by industry and insurers.

In April, Command Paper No. 6771 was published containing a draft convention in the terms of a text initialled in October, last year. It is said the text has been established at official level only and remains subject to approval by Governments on both sides of the Atlantic and the reconsideration of any provision in it is not precluded.

But things have got so far along the line there really is very little time left for a sufficient volume of protest to be raised.

Insurers do not normally attempt to influence the course of legislation but on this occasion it seems they need to move into a very active position.

## Last defence

Otherwise, in a few months time, we could be living with the situation where the last defence of British industry and British insurance to unsatisfactory American judgments will be breached—where the majority of judgments recorded in the U.S. courts will be capable of registration and enforcement in the British courts.

True there are exceptions, notably the exclusion of judgments in respect of punitive damages, but for the most part the British courts will have no option but to rubber-stamp transatlantic verdicts.

British industry and British insurers have absolutely nothing to gain by the ratification of the convention but rather to lose more than has been lost already.

# OVERSEAS MARKETS

**EUROBONDS**

BY MARY CAMPBELL

# Stabilised in quiet conditions

SECONDARY market trading in Eurodollar honds has not been very active during the last ten days, and, with London closed yesterday and Monday, there has been little change so far this week. However, against a backdrop of falls of an eighth or a quarter of a point in Eurodollar interest rates, there is no doubt that this sector of the market has stabilised.

The same cannot be said for the D-mark sector where the June 1 injection of liquidity into the domestic banking system appears to have had no effect on D-mark international bond prices and which has continued to weaken.

Five Eurobond issues have been announced since Friday, for Australian Mining and Smelting, and Mitsubishi Gas Chemical Company in U.S. dollars, Laurentide Financial Corporation in Canadian dollars, North Sea Gas in D-marks and the Finnish electrical utility Imatran Voima Osakyetio in Units of Account (for terms, see table). Due for announcement to-day or to-morrow is the Manitoba Province DM150m. issue from Westdeutsche Landesbank, which was postponed last week.

Australian Mining and Smelting is a wholly-owned subsidiary of Conzinc Rio Tinto of Australia, though there is no guarantee. The Mitsubishi Gas bonds will be convertible from the beginning of next month but no conversion premium has been indicated. The terms are the same as on the last Japanese convertible, for Jusco, which created some comment in the market last week because it sank to a heavy discount. As yet it shows no sign of picking up: it was quoted on the continent yesterday at about 96/7 after an issue price of par.

Laurentide is a public company but is majority owned by the large Canadian holding company, Power Corp. The terms of the proposed issue are the same as on Rank, which was yesterday quoted at about 99/99½.

The Laurentide issue is secured on the receivables of the company and is subject to a series of trust indentures.

The North Sea Gas issue is secured on a throughput agreement—the company is wholly owned by the Phillips group. As in the case of previous D-mark issues by this borrower, the management group is limited to the four big German banks, with Dresdner as lead this time on a rotation basis.

The Imatran Voima issue is the first in units of account since the Telephone Company of Funen issue last September.

The calculations behind the reopening of this market involve a combination of a slight fall in Belgian domestic interest rates together with the stabilisation of the D-mark and Dutch guilder, the currencies with the closest affinity to the Unit of Account. The 8½ per cent. being offered on the Imatran Voima issue is to be compared with the 8 per cent. after withholding tax offered on the last Belgian domestic government bond issue.

Among the issues launched last week, the main concern about the Swedish issues was their size. The proposed terms of the five year tranche are directly comparable to the five-year tranche of the EEC issue, which has seen some good two-way trading on a pretty steady secondary market quote of about 97¾/8¼. This does, however, suggest that Sweden will have to take full advantage of its indicated discount of up to a point. The longer term tranche is expected to sell on the fact that it offers half a point more than the longer term tranche of the EEC issue while having an average life which is only just over a year more.

The European Coal and Steel Community (ECSC) issue is notable not only because of its maturity — eighteen years was unusually long for this market even before the 1973-4 debacle—but also because of the way the sinking fund has been structured. The sinking fund will redeem $1.4m. in each of the first 13 years of the issue's life thus giving some support to the secondary market price right from the start. The $21.8m. outstanding for the last five years will be in effect a bullet issue. The issue is expected to appeal strongly to a limited range of Eurobond investors, insurance companies, for example, and U.S. funds managed offshore.

Some details of the next Euroyen issue have now emerged. It will be part of a Y50bn. (about $175m.) two-tranche issue by the World Bank of which Y20bn. will be launched in Europe and Y30bn. in Japan. The Y20bn. figure is double the size of the first Euro-yen issue, Y10bn. at 7¼ per cent. floated by the European Investment Bank in April. As in the case of the EIB, Daiwa Securities will be lead manager.

● The IMF says the international bond market will remain active this year, although the level of activity will decline from that seen in 1976, Reuter reports from Washington.

In a supplement to its fortnightly publication Survey, it estimates new issues will total $20bn. to $25bn. this year, compared with $30bn. in 1976.

Maturities are not expected to lengthen from their present seven to nine year average, it adds.

**CURRENT EUROBOND ISSUES**

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| ‡DSM | $40 | 1987 | 9 | 8½ | 100 | AmRo, Morgan Stanley | 8.25 |
| ‡Nippon Fudosan | $30 | 1982 | Bullet | 7¾ | 99 | Morgan Stanley, K. Peabody, Warburgs | 8 |
| IC Industries | $35 | 1987 | † | 8½ | * | Merill Lynch | * |
| ECSC | $40 | 1995 | 13 | 9 | * | Paribas, Warburg | * |
| BNDE | $50 | 1984 | Bullet | 9¼ | * | Commerzbank | * |
| Crédit Lyonnais | $30 | 1983 | Bullet | 6½ | * | Nomura | * |
| Sweden | $100 | 1982 | Bullet | 7¼ | discount | CSWW | * |
| Sweden | $100 | 1987 | 8.2 | 8¼ | 100 | CSWW | 8.25 |
| §Mitsubishi Gas | $20 | 1992 | — | 6 | 100 | Nomura | 6 |
| Australian Mining & Smelting | $30 | 1992 | 11.49 | 9½ | * | Morgan Stanley | * |
| **CANADIAN DOLLARS** | | | | | | | |
| ‡Rank Overseas | C$20 | 1982 | Bullet | 9½ | 100 | N. M. Rothschild | 9.50 |
| Laurentide Fin. Corp. | C$20 | 1983 | Bullet | 9½ | * | CCF | * |
| **D-MARKS** | | | | | | | |
| ‡United Mexican States | DM100 | 1984 | Bullet | 7¾ | 99½ | Deutsche | 7.85 |
| ‡Voest Alpine | DM100 | 1989 | 9½ | 6¾ | 99 | BHF | 6.88 |
| ‡City of Kobe (Jap. state g'teed) | DM100 | 1987 | Bullet | 6½ | 99 | Deutsche | 6.64 |
| **AUMAR** (Spain state g'teed) | DM100 | 1984 | Bullet | 7¾ | discount | Dresdner | * |
| INDBI | DM120 | 1989 | 8 | 7¾ | * | Deutsche | * |
| North Sea Gas | DM100 | 1989 | 10.2 | 7 | 100 | Dresdner | 7.00 |
| **UNITS OF ACCOUNT** | | | | | | | |
| Imatran Voima | U/A20 | 1987 | † | 8½ | 100 | Kredietbank Lux. | 8.5 |
| **SWISS FRANCS** | | | | | | | |
| Norges Kommunalbank (Nor. state g'teed) | Sw.frs.20 | 1992 | n.a. | 5¾ | * | Gutz., Kurz., Bung. | * |
| Inter-American Dev. Bk. | Sw.frs.80 | 1992 | n.a. | 5¾ | 99½ | UBS | 5.80 |

§ Convertible ‡ Final terms * Not yet priced † Purchase fund ‖ Minimum

**BONDTRADE INDEX**

| | June 7 | May 31 | 1977 High | 1977 Low |
|---|---|---|---|---|
| Medium term | 102.56 | 102.57 | 103.09 | 102.39 |
| Long term | 95.47 | 95.50 | 95.74 | 94.78 |
| Convertible | 108.61 | 108.77 | 110.47 | 107.62 |

# London quote for Dana Corporation

BY JOHN WICKS ZURICH, June 7.

THE U.S. DANA Corporation, a leading producer of automotive components, intends to introduce its shares to the London Stock Exchange. This was disclosed here by Rene C. McPherson, Chairman and chief executive officer of the Toledo-based undertaking.

In the past fiscal year Dana acquired a 64 per cent. stake in Brown Brothers Corporation, of Harlow, a major distributor of service parts to the European after-market. Another U.K. affiliate is Turner Manufacturing, a specialist in the production of heavy-lorry transmissions.

In Europe, where Dana already has affiliates operating in France, Germany, Spain and Denmark as well as its British interests, the group is planning expansion in the field of industrial projects. This will be by acquisitions and joint venture moves. Dana, said McPherson, has identified a number of possible acquisitions, which would be made in cases where the concern would obtain a first, second or third place on a specific market.

While there is a high rate of internal generation of funds, the company has "options open" with regard to possible foreign financing, said Robert E. Byrket, vice-president, domestic finances. An equity offering was being considered.

Dana is currently growing at a fast rate. For the first half of the current 1976/77 business year, net sales rose by 29 per cent. to $820m. and net income by 28 per cent. to $48m. Expansion is continuing at a rate of about one-quarter over fiscal 1976 levels for both turnover and sales.

Within the next few years, the group anticipates a decline in the 44 per cent. share of light-lorry components in its overall turnover, which it considers too high. There should also be a drop in the car equipment share, now running at some 9 per cent. The relative importance of the heavy-lorry and service parts sectors is seen as growing, however, and there should be a rapid expansion in the industrial products field. Now with a share of 14 per cent. of turnover, this is intended to account for 25 per cent. of sales by 1980 and McPherson said in Zurich he thought the share would reach 50 per cent. by 1985.

Of the intended $400m. growth in sales of the industrial sector to $600m. by 1980, about one-half will be produced by acquisitions, said Byrket.

# Huletts record crop

BY RICHARD ROLFE JOHANNESBOURG, June 7.

HULETTS CORPORATION, which is the biggest sugar producer in South Africa, and has also diversified into aluminium production, timber and paper, has produced better than expected results for the year ended March 1977.

Pre-tax profits from South Africa are up from R20.8m. to R22.7m.; an improvement which follows its sharply higher sugar output, up from 623,000 tons to 742,000 tons last season. Net attributable South African income, after tax and minority interests, has risen from R10.4m. to R11.7m.

During the last financial year, however, Huletts deconsolidated its Rhodesian interests and has treated them as an investment rather than, as in the past, a subsidiary. So the latest figures show income after tax from foreign subsidiaries not consolidated down from R6.5m. to R3.4m. and the effect of this change is to leave earnings for the year a shade lower at 62c.

After a 2c cut in the interim dividend to 10c, the final has been maintained at 21c and the shares, 5c up on the results to 180c, yield 17.2 per cent. This high yield reflects market anxiety over the Rhodesian interests, which have accounted for up to 40 per cent. of profits in the past.

The Board has moved to put the Rhodesian side at arms-length in the accounts, and the latest dividend is covered by the South African side alone, with Rhodesia accounting for about 11c of earnings. Despite the inconclusive sugar talks in Geneva, the South African sugar sector in general has been a firm share market, partly because the 1977-78 crop is expected to exceed last year's record.

# Indices

## NEW YORK—DOW JONES

| | June 3 | June 2 | June 1 | May 31 | May 27 | May 26 | 1977 High | 1977 Low | Since compil'tion High | Since compil'tion Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrial | 912.28 | 905.15 | 906.55 | 898.66 | 898.88 | 906.87 | 999.75 (3/1) | 898.66 (31/5) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| Home B'nds* | 91.90 | 91.81 | 91.65 | 91.44 | 91.81 | 91.47 | 93.37 (3/1) | 90.69 (7/3) | — | — |
| Transport | 237.14 | 235.98 | 236.75 | 235.55 | 238.02 | 240.60 | 246.64 (18/5) | 221.61 (25/2) | 279.88 (7/2/69) | 13.23 (8/7/32) |
| Utilities | 111.77 | 111.00 | 110.55 | 110.11 | 110.17 | 110.11 | 111.93 (18/5) | 104.97 (25/2) | 163.32 (20/4/69) | 10.50 (28/4/42) |
| Trading vol. 000's | 20,550 | 18,820 | 18,520 | 17,890 | 15,750 | 15,690 | — | — | — | — |

* Basis of index changed from July 1.

| Ind. div. yield % | May 27 | May 20 | May 13 | Year ago (approx.) |
|---|---|---|---|---|
| | 4.87 | 4.29 | 4.70 | 3.89 |

**STANDARD AND POORS**

| | June 3 | June 2 | June 1 | May 31 | May 27 | May 26 | 1977 High | 1977 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| *Industrials | 107.75 | 106.66 | 106.91 | 105.97 | 106.11 | 107.01 | 115.92 (3/1) | 105.97 (31/5) | 134.64 (11/1/73) | 36.2 (30/6/32) |
| †Composite | 97.69 | 96.74 | 96.98 | 96.12 | 96.27 | 97.51 | 107.00 (3/1) | 25.12 (31/5) | 125.85 (11/1/73) | 4.40 (1/6/32) |

| | June 1 | May 25 | May 18 | Year ago (approx.) |
|---|---|---|---|---|
| Ind. div. yield % | 4.61 | 4.60 | 4.34 | 3.46 |
| Ind. P/E Ratio | 10.01 | 9.99 | 10.37 | 13.69 |
| Long Govt. Bond yield | 7.67 | 7.66 | 7.72 | 6.86 |

**N.Y.S.E. ALL COMMON**

| June 3 | June 2 | June 1 | May 31 | 1977 High | 1977 Low |
|---|---|---|---|---|---|
| 53.38 | 52.98 | 52.97 | 52.56 | 57.07 (4/1) | 52.56 (31/5) |

**Rises and Falls** June 3

| | |
|---|---|
| Issues Traded—1,856 | Up—1,503 |
| Down—399 | Same—452 |
| New Highs 38 | New Lows 47 |

| | | June 3 | June 2 | June 1 | May 31 | 1977 High | 1977 Low |
|---|---|---|---|---|---|---|---|
| **MONTREAL** | Industrial | 168.92 | 169.44 | — | 169.51 | 186.47 (17/3) | 169.22 (27/6) |
| | Combined | 172.54 | 171.26 | — | 171.94 | 182.75 (16/3) | 171.64 (27/5) |
| **TORONTO** | Composite | 990.4 | 991.2 | 992.7 | 991.2 | 1032.3 (16/3) | 979.4 (27/6) |
| **JOHANNESBURG** | Golds | — | 153.4 | 150.9 | — | 182.5 (7/3) | 134.4 (24/5) |
| | Industrials | — | 176.9 | 175.1 | — | 186.9 (7/1) | 168.1 (22/8) |

| | June 7 | Previous | 1977 High | 1977 Low |
|---|---|---|---|---|
| Australia (a) | 460.92 | 463.14 | 469.71 (20/5) | 419.68 (16/2) |
| Belgium (b) | 93.40 | 93.09 | 98.12 (10.1) | 92.61 (20/2) |
| Denmark (d) | 106.95 | 106.94 | 107.92 (9/5) | 98.96 (6/1) |
| France (e) | 48.7 | 48.5 | 56.4 (7/1) | 43.5 (10/5) |
| Germany (f) | 753.7 | 764.0 | 790.7 (3/5) | 712.5 (10/3) |
| Holland (g) | 86.4 | 86.9 | 93.2 (4/5) | 21.2 (25/1) |
| Hongkong (h) | 446.10 | 450.32 | 452.17 (11/5) | 415.45 (14/3) |
| Italy (k) | (c) | 80.18 | 73.71 (5/1) | 80.18 (2/8) |
| Japan (m) | 378.30 | 372.81 | 385.92 (8/5) | 364.70 (7/4) |
| Singapore (n) | 251.76 | 245.27 | 280.29 (10/1) | 242.28 (3/5) |
| Spain (p) | 86.70 | 86.98 | 102.37 (1/3) | 86.92 (5/6) |
| Sweden (q) | 374.10 | 375.76 | 416.68 (22/3) | 359.10 (18/2) |
| Switzerl'd (r) | 289.3 | 291.6 | 307.8 (3/5) | 280.5 (5/2) |

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto 300-1,000, the last-named based on 1975). (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December 1953. (g) Amsterdam, Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/76. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ♠ Frs.500 denom. unless otherwise stated. ‖ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

## NEW YORK

| Stock | June 6 | June 3 |
|---|---|---|
| Abbott Labs. | 39¾ | 29¾ |
| Addressograph | 12 | 12¼ |
| Aetna Life & Cas. | 34¾ | 35 |
| Air Products | 22⅞ | 23 |
| Alcan Aluminium | 27⅜ | 27⅛ |
| Alcoa | 33 | 32⅝ |
| Allegheny Land | 21⅛ | 21½ |
| [illegible] | [illegible] | [illegible] |

| Stock | June 6 | June 3 |
|---|---|---|
| Corning Glass | 61¾ | 62 |
| CPC Int'n'tional | 48⅝ | 42⅝ |
| Crane | 21⅞ | 33⅛ |
| Crocker Nat. | 25 | 24¾ |
| Crown Zellerbach | 35⅞ | 36⅞ |
| Cummins Engine | 59⅝ | 63 |
| Curt-Wright | 18⅝ | 12⅜ |
| Dana | 22⅝ | 23⅜ |
| Dart Industries | 34¾ | 34½ |
| [illegible] | [illegible] | [illegible] |

| Stock | June 6 | June 3 |
|---|---|---|
| Johns Manville | 32¼ | 36⅛ |
| Johnson Johnson | 66⅛ | 67⅜ |
| Johnson Control | 44⅛ | 45⅛ |
| Joy Manufactu'g | 42⅛ | 42⅝ |
| Kaiser Aluminium | 34⅝ | 34½ |
| Kaiser Industries | 14⅛ | 17⅛ |
| Kaiser Steel | 26⅝ | 25⅛ |
| Kay | 7⅝ | 7⅝ |
| Kennecott | 26⅛ | 28 |
| Kerr McGee | 61⅞ | 63⅞ |
| [illegible] | [illegible] | [illegible] |

| Stock | June 6 | June 3 |
|---|---|---|
| Revlon | 37⅝ | 38 |
| Reynolds Metals | 39⅝ | 22⅞ |
| Reynolds R. J. | 66¾ | 66⅞ |
| Rich'son Merrell | 20 | 20 |
| Rockwell Inter. | 33 | 26 |
| Rohm & Haas | 48¾ | 47⅝ |
| Royal Dutch | 57 | 56¾ |
| Russ Togs | 10⅞ | 11 |
| [illegible] | [illegible] | [illegible] |

| Stock | June 6 | June 3 |
|---|---|---|
| Woolworth | 23⅛ | 95⅛ |
| Wyly | 1⅜ | 1⅛ |
| Xerox | 44⅞ | 46⅞ |
| Zapata | 10⅞ | 11⅛ |
| Zenith Radio | 24 | 24 |
| Chile 3% 1993 | †21½ | 91½ |
| U.S. Treas. 4% 1980 | †94⅜ | †94⅜ |
| US Treas 4¼% 75/78 | †83⅜ | †83⅝ |
| U.S. 90 Day bills | 5.02% | 4.99% |

## CANADA

| Stock | June 6 | June 3 |
|---|---|---|
| Abitibi Paper | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |

**GERMANY ◆** | **TOKYO ‖** | **AUSTRALIA** | **BRAZIL** | **OSLO** | **JOHANNESBURG** | **AMSTERDAM** | **BRUSSELS/LUXEMBOURG** | **PARIS** | **SWITZERLAND** | **COPENHAGEN ♣** | **SPAIN ♥** | **MILAN** | **STOCKHOLM** | **VIENNA**

| Brazil, June 3 | Price Cruz | + or — | Div. Cruz | Yld. % |
|---|---|---|---|---|
| Banco Brasil PP | 4.10 | —0.01 | 0.18 | 4.32 |
| Belgo Mineira OP | 2.87 | — | 0.14 | 4.88 |
| Brahma PP | 1.30 | +0.01 | 0.16 | 12.50 |
| Docas Santos OP | 1.08 | — | 0.15 | 13.81 |
| Lojas Amer. OP | 2.90 | +0.02 | 0.20 | 6.90 |
| Petrobas PP | 9.47 | +0.01 | 0.11 | 4.45 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Australia, June 7 | Aust. $ | + or — |
|---|---|---|
| AOMIL | 0.59 | —0.34 |
| Acro Australia | †0.80 | — |
| Adelaide Brighton Cem. 50c | †1.23 | — |
| Allied Mnfg. Trdg. Indus. $1 | †1.80 | — |
| Ampol Exploration | 0.59 | —0.41 |
| Ampol Petroleum | †0.59 | — |
| Assoc. Minerals | †1.80 | — |
| [illegible] | [illegible] | [illegible] |

Source Nikko Securities, Tokyo

Closed yesterday by industrial action.

# AUTHORISED UNIT TRUSTS

# OFFSHORE AND OVERSEAS FUNDS

# INSURANCE, PROPERTY, BONDS

I.G. Index Limited 01-351 3466 September Corea 2618-2628

## FINANCIAL TIMES STOCK INDICES

| | June 7 | June 6 | June 1 | May 31 | May 27 | May 26 | A Year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 68.56 | 68.61 | 68.47 | 68.27 | 68.45 | 68.23 | 61.58 |
| Fixed Interest | 69.39 | 69.35 | 69.15 | 69.18 | 69.71 | 69.86 | 61.27 |
| Industrial Ordinary | 457.8 | 454.6 | 449.6 | 448.5 | 447.5 | 452.9 | 378.5 |
| Gold Mines | 117.2 | 119.8 | 122.8 | 116.9 | 118.9 | 110.5 | 178.8 |
| Ord. Div. Yield | 5.08 | 5.11 | 5.18 | 5.18 | 5.20 | 5.15 | 5.68 |
| Earnings Yld % (full) | 15.62 | 15.70 | 15.88 | 15.89 | 15.95 | 15.78 | 16.14 |
| P/E Ratio (net) | 9.26 | 9.24 | 9.13 | 9.12 | 9.10 | 9.19 | 9.18 |
| Dealings marked | 4,652 | 4,942 | 4,949 | 6,045 | 5,075 | 6,240 | 5,805 |
| Equity turnover £m | | 65.88 | 37.04 | 36.10 | 63.00 | 70.41 | 57.39 |
| Equity bargains total | | 15,241 | 14,767 | 11,656 | 16,105 | 17,500 | 16,184 |

## HIGHS AND LOWS

## S.E. ACTIVITY

## FT - ACTUARIES INDICES

## HONG KONG

## SINGAPORE

NOTES

allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax.

**CLIVE INVESTMENTS LIMITED**
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101
Index Guide as at 31st May, 1977 (Base 100 at 14.1.77)
Clive Fixed Interest Capital ............ 113.83
Clive Fixed Interest Income ............ 112.47

CORAL INDEX: Close 436-461

**INSURANCE BASE RATES**
† Property Growth ............ 9¼%
Cannon Assurance ............ 5¾%
† Address shown under Insurance and Property Bond Table

## GOURMET



CRICKET — BY TREVOR BAILEY

# Prudential win no guide to Test prospects

THERE ARE several good reasons why the Prudential Trophy win by England has no real significance in terms of the coming Test series.

First, the main objective of the Australians in the three one-day internationals was clearly practice, rather than winning this mini tournament—every member of their touring party was given the opportunity.

In contrast, the English selectors relied on what they consider to be their strongest 11, only making one change.

Secondly, at the Oval Chappell was prepared to ignore the practical considerations to allow his two slow bowlers, O'Keefe and Bright, to send down their full quota of overs.

It was rather ironic that their one victory was achieved without several of their most accomplished performers, including Walker, Marsh and Serjeant. This approach was understandable, even though it reduced their chances of picking up the £2,000 prize money which the sponsors awarded for each match.

### Tactics

Thirdly, the final stages of the Oval game took place in conditions which would never be tolerated in serious cricket.

Fourthly, the requirements and the tactics of limited overs cricket are very different from those in Tests. A fast, shock bowler, like Thomson can prove a liability in the former, where the denial of runs is often more important than the taking of wickets, and middle order batsmen frequently have to sacrifice their wickets in the pursuit of runs.

However, these Prudential matches have provided much entertaining cricket and also underlined the strengths and the weaknesses of the two opponents in the Jubilee fight for the Ashes.

England have appointed Mike Brearley as captain for the first two Tests. As expected he led his team competently, but the most hopeful feature was probably his splendid opening partnership of over 150 with Amiss.

The three seamers for the first Test at Lord's will obviously be Willis, Lever and Old, with Hendrick on standby. Knott and Underwood are also certainties and the fielding will be excellent.

The problem area is in the middle batting which has several attractive stroke-makers, but lacks solidarity. There is certainly room for at least one additional class player, now in form, while Greig is lucky there does not appear to be another quality all-rounder challenging for his place.

Australia also have their problems. They have yet to find a convincing opening pair and their batting, apart from Chappell, who showed his match-winning not-out century at the Oval that he is the most accomplished player of either side looks distinctly thin.

Although their reserve keeper, Robinson, made 70, containing some fine strokes, he enjoyed more than his share of luck and lacks the basic pedigree normally associated with an Australian No. 1.

The tourists' pace attack—even though Thomson, troubled by no-balls and wayward in line and length is still a worry—should be formidable.

### Flattering

Walker is a fine bowler, Pascoe is distinctly hostile and was considerably quicker than Willis at Old Trafford, Malone swings the ball more than most and Dymock is a capable left-armer.

Chappell himself is a well-above-average medium-paced seamer, even if his five wickets at Edgbaston was rather flattering.

The spin section of O'Keefe and Bright is less impressive. Neither should cause undue trouble and it would come as no surprise if, before the end, Australia are reduced, like the West Indies last summer, to fielding without a genuine spinner, which reduces spectator appeal and lowers the over rate.

My money remains on England in what I expect to be a low-scoring series with plenty of outstanding fielding, excellent quick bowling and, in the event of rain, or a "turner," Underwood proving the deciding factor.





YACHTING — BY ALEC BEILBY

# Marionette makes impression

IT IS EARLY days in terms of deciding the British Admiral's Cup team, but the performance of Chris Dunning's Marionette in the 220-mile trial ocean race from the Solent to Deauville over the week-end certainly pleased the British selectors, though the race was overshadowed by the tragic loss of one of the crew from the Admirals Cup trial yacht, Charlatan V, owned by Bob Appleby.

It was a tricky race, the wind predominantly light and of variable direction. Added to this were the problems of finding a difficult new mark a mile south of the entrance to the new Brighton marina before tracking across the Channel to the notorious tides off Cherbourg and then sailing east once more up the Channel to a further mark 25 miles north west of Le Havre before turning south for the finish off Deauville.

Marionette, a new yacht this season designed by Ron Holland, has already impressed observers, both in inshore racing as much as offshore, and her three-hour handicap win over her nearest trial rival, Jeremy Roger's brand new Moonshine, surprised even her crew, one of whom had spent considerable time up the mast during the race re-roving a broken halyard.

There are still five more trial races to be sailed before the British team is named to defend the Cup against a record challenge from 18 nations.

It had been initially proposed that the second British team trial should have been a shorter race back from Deauville to the Solent but the Royal Thames yacht club had organised a nationwide series of co-ordinated races for the Silver Jubilee involving ten other clubs and including the Deauville yacht club. These races sailed over a 24-hour period on either Saturday, Sunday or Monday, attracted an entry of about 65 yachts.

Initially, it seemed that the overall national winner might have been Mrs. J. Spens's Fait which covered 212 miles in 24 hours but the organisers still awaited the results from the south, notably those yachts starting from France where the gales, and the opportunity of choosing a broad-reaching course in the Channel could have provided the chance of beating the Scottish crew.

It was then established that there had to be a least six finishers from any club for the results for yachts from that club to be counted and only five finished on the Clyde. In fact, only the host club, the Royal Dee yacht club and those coming from Deauville had enough finishing yachts to qualify and the eventual winner of this gale-torn event was Mr. A. L. Stead's Andromeda, from the Royal Dee yacht club, which covered 163.2 miles in the 24-hour period.

# Support for wages policy with defined ceiling

BY ROY HODSON

A PHASE THREE wages policy with a defined ceiling is supported by the London Chamber of Commerce and Industry, representing 8,000 member firms.

The Chamber's new paper on wages will be discussed at a council meeting later this month. Mr. Denis Healey, Chancellor of the Exchequer, will be guest speaker at a lunch following the meeting.

The view of the Chamber is that it is prepared to "jump to free collective bargaining" only if a defined ceiling for Phase Three is not possible. But it suggests that such a bargaining system would be preferable to what it calls "a free-for-all dressed up as a Phase Three."

The paper reports that the great majority of Chamber members do not relish the prospect of a return to free collective bargaining with the likely effects upon employment, inflation, and foreign confidence. There are also growing fears among members of increased labour disputes.

According to the Chamber paper, the two most important factors covering pay policy after the end of July are the fight against inflation and restoration of differentials for key personnel, such as skilled craftsmen and middle managers.

Chamber surveys in London and the South-east already show shortages of skilled workers and the Chamber argues that it is vital that these jobs are made more attractive.

# Avenue Works to re-equip

NATIONAL PLASTICS, a member of the Courtaulds Group, has started plant replacement and general expansion at its Avenue Works, Walthamstow, London. In phase one, 11 injection moulding presses being made by Krupp Reifenhauser of Essen and supplied by Ritter Plastics Machinery, will be installed.

The first machine will be installed this month and will be followed by the other ten in the next five months. National Plastics has an option on a further 11 injection machines if phase two of the expansion is confirmed.

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

## Generale Occidentale to borrow Frs.3.75m.

PARIS, June 7.

GENERALE OCCIDENTALE will finance its £40m. partial bid fur Cavenham, the British food group, with borrowings totalling at least Frs.3.75m. according to a report presented at the company's extraordinary general meeting, Reuter reports from Paris.

A cash offer of 155p a share by Générale Occidentale for half the 49 per cent. of Cavenham shares not owned by it was anoounced last month—to raise its stake to 75 per cent. from 51 per cent.

It will make a Frs.150m. convertible bond issue, raise Frs.200m. through a medium-term currency loan from a banking group and raise at least a further Frs.25m. through a long-term loan from Credit National.

The company said a further convertible issue denominated in foreign currencies equivalent to between Frs.50m. and Frs.60m. may be issued later.

The report said the initial issue of Frs.150m. bonds, proposed as part of the bid-financing package will have a 12 year life and be amortised from the fifth year onwards.

The coupon has not yet been fixed but the issue, convertible into shares on a one-for-one basis at any time, will be priced at least 10 per cent. over Générale Occidentale's average share price in 20 Paris bourse sessions in the period preceding its issue.

ITALIAN BANKING

## Alarm over EGAM Bill

BY PAUL BETTS

ITALY'S mainly state-controlled banking system, which so far seemingly appeared to have weathered the country's economic difficulties, has been thrown into a state of growing alarm folowing a Parliamentary decision that could effectively transform its profits into what a leading banker here called "a mere accounting exercise."

The Parliamentary decision involves a Senate amendment to the controversial Bill concerning the dismantlement of the perennial loss-making state mineral agency, EGAM. This amendment, in effect, makes the banking system partially responsible for past economic policies, in particular the funding of obsolete and heavy loss-making EGAM subsidiaries, which have led the mineral agency to accumulate debts totalling a crippling L915bn. (£600m.) at the end of last year.

The EGAM Bill—now passed by decree law—provides in the first instance a total of only L100bn. to cover EGAM's indebtedness and a further L344bn. for the losses of the agency's 72 subsidiaries These losses have steadily increased from L22bn. in 1973, to L29bn. in 1974 and to L194bn. and L210bn. in 1975 and 1976 respectively.

At the same time, the Government will decide by the end of October on the respective fate of individual subsidiaries, some of which are to be incorporated into the two troubled giant state holding companies, ENI and IRI, while the "most hopeless cases" could be liquidated.

Bankers point out that the provision of L100bn. for EGAM's indebtedness hardly suffices to cover outstanding credits which some of Italy's leading banks currently hold in the mineral group. For their part, according to the Bill, the banks concerned will simply have to take their losses from the dissolution of EGAM, which in many cases they cannot effectively sustain without afflicting severe distortions to their balance sheets.

### Surprise

The banking establishment, however, is even more concerned over the possible repercussions of the Bill. According to one banker, the EGAM Bill could become the thin end of the wedge since the banks could eventually be forced to write off as bad debts outstanding credits and unpaid interests in other heavily indebted and ailing state-sector concerns. The past policy of debt-financing in Italy has led to a situation in which the country's largest individual concern, IRI, now has some L14,300bn. in accumulated debts and individual subsidiaries like Alfa Sud and the Bagnoli steel plant which between the two of them lost L138bn. in 1975.

The EGAM ruling has taken by surprise the banking establishment which until recently had assumed that its bad debts with state sector groups were in effect guaranteed by the state. In the past it had been the widespread practice of troubled state-sector companies to simply roll-on their debts and interest payments from year to year. The banks, too, also advanced funds to state groups against the guarantee of the Government's capital endowment fund to these companies. But in many cases, capital endowment has not been provided or only partially paid.

The Minister of State Participations, Sig. Antonio Bisaglia, has disclosed that as a result of the EGAM ruling several banks are already asking state controlled groups to refund their outstanding debts and have indicated that they would have to consider carefully any future loans to the state sector concerns. "If I were a banker, I would probably do the same," said Sig. Bisaglia, whose Ministry has overall control of the state sector.

The EGAM ruling is widely regarded here as an indirect attack on the banking system at a time when the balance of power in Italy is significantly shifting. Traditionally, the state banks, like the state sector companies, were the power bases of the long ruling Christian Democrat Party. To-day, however, state in Italy no longer means the Christian Democrats but also the powerful opposition, notably the Communists.

While the banks in the past were confident in the funding of industrial salvage operations often motivated by political patronage or other social reasons — because of state guarantees in the form of a strong Christian Democrat Party, this is no longer the case. In the past, too, pressure was also exerted on the banks to participate in such salvage operations from the forces above.

But the whole state sector in Italy is now coming under scrutiny and is a major issue in the current attempts to formulate an all-party economic and legislative agreement.

At the same time, the opposition is trying to erode the Christian Democrat's control over the banking system, which has found visible expression in the long battle over the nominations for a number of top banking posts. The Communists are, in effect, now campaigning to stop the current practice of the Christian Democrats of making political appointments to senior banking and industry posts.

Paradoxically, the attack on the banks comes at a time when the Governor of the Bank of Italy, Sig. Paolo Baffi, has stressed the need to protect the international credibility of the Italian banking system. In effect, it is the steady increase of the foreign indebtedness of the banking system which has so far softened the impact of the country's balance of payments deficit on reserves.

AMERICAN NEWS

## NYSE votes for options

BY JOHN WYLES NEW YORK, June 7.

THE NEW YORK Stock Exchange has filed a detailed plan with the Securities and Exchange Commission to open a market in options trading whose development in the United States has been marked in the last few days by the start of limited stree trading in "put" options on five exchanges.

All of these exchanges had previously traded in "call" options which give the holder the right to buy stock at a fixed price within a defined period of time. In a mirror image, a "put" option enables the holder to sell stock at a specific price within a specified time.

The New York Exchange wants to handle "put" as well as "call" options and is pressing the SEC to change its view that an exchange should have some experience handling "call" options before it moves into SS puts." This effectively bars the New York Exchange from a simultaneous start in both forms of options.

The exchange plans to start trading with calls on 25 stocks. They have not yet been identified but they will have a substantial number of shares and will be "widely held and actively traded."

In arguing for permission to trade in "puts" as well as "calls," New York claims that it will be unable to compete with rival exchanges trading the same stock in both if it were limited just to "call" options.

The American Stock Exchange, the Chicago Board Options Exchange, the Philadelphia Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange all began trading in "put" options at the end of last week.

The inaugurations were all accompanied by warnings from officials of the exchanges that "put" options trading involved considerable risk and should not be undertaken by investors unable or unwilling to take a toss.

● Meanwhile, the financial condition of stockbrokers remains good despite a 15.7 per cent. decline in their brokerage fees since fixed commission rates were ended on May 1, 1975. This is stated in an SES report (to Congress) released yesterday in Washington.

The SEC said New York Stock Exchange member firms had lost $682m. in revenues because of the end of fixed commission rates. But the financial condition of broker-dealers in aggregate had actually "improved substantially" in the 20 months since fixed rates ended, because trading activity has been very high.

Thus far, there was no evidence that competitive commission rates have caused an increase in the securities industry's level of concentration as measured by commission revenue the report added.

However, the SEC said the impact of competitive rates had been measured in very favourable market conditions. It was not known what effect these rates might have had in an unfavourable period.

## FTC fails to block Tenneco

THE FEDERAL TRADE COMMISSION has failed to win a court injunction to block the takeover of Monroe Auto Equipment by Tenneco, Inc., reports our New York correspondent.

A spokesman for Monroe said yesterday that a refusal to grant the injunction by a Federal Court of Appeals in Washington DC would clear the way for Tenneco to proceed "as promptly as possible" with the acquisition.

Tenneco wants to acquire at least 80 per cent. of Monroe's 13m. shares through an exchange of 0.3846 of Tenneco common for each outstanding share of Monroe common.

Monroe is a leading manufacturer of shock absorbers and the FTC's challenge to its takeover was based principally on the fact that a Tenneco subsidiary produces car exhaust systems and that a link-up could, therefore, reduce competition in the car spare parts market.

The FTC is expected to maintain its opposition as far as possible through court proceedings. If, however, the acquisition goes ahead the Commission would be likely to continue its challenge through administrative action which tends to be very protracted.

## Deltec unit for Armour

DELTEC INTERNATIONAL and Armour and Co., a wholly-owned subsidiary of the Greyhound Corporation, have jointly announced the purchase for cash by Armour and Co. of the food distribution operations of Deltec in Europe and North America. The purchase price, which is subject to possible post closing adjustments, was around $7m.

Mr. Albert S. Drain, president and chief executive officer of Armour Food Company, said that the newly acquired operation consists of a number of companies engaged in international food distribution.

The entities acquired include Deltec's food operations in Canada, England, Germany, Belgium, Italy and World Wide Trading Company, Miami, Florida, as well as minority interests in Armour SAE (Spain) and a joint venture with Podravka (Yugoslavia).

Some of the entities comprising the food distribution division were at one time owned by Armour and Co. and had been sold in 1958 to International Packers.

## Bid for Avis minority

BY JOHN WYLES NEW YORK, June 7

A NEW BIDDER for the 47 per cent. of Avis shares formerly held by International Telephone and Telegraph Corporation has emerged in the shape of Norton Simon Inc. whose diversified interests include Canada Dry soft drinks and Max Factor cosmetics.

The former ITT stock is already under offer from Fuqua Industries, whose activities include the manufacture of gardening equipment and sporting goods. But the Fuqua offer, worth $15.50 a share, or $58m. in total, has won no support from the Court appointed trustee of the shares, Mr. Richard Joyce Smith.

Mr. Smith started proceedings for a public offering of the shares which Fuqua is attempting to challenge in a federal court. However, the Norton Simon offer has won a very positive response from Mr. Smith who is attempting to halt the public offering and is seeking a Court hearing in Connecticut on the new bid which is worth $20.25 a share, or $75.8m. in total.

Trading in Avis shares has halted on the New York stock exchange last Friday when the price stood at $15.25.

Norton Simon has said that it is ready to pay out a further $34m. to acquire the outstanding Avis stock at the same price as to the trustee. The offer differs from the Fuqua bid not only in its cash value but also in the fact that Norton Simon is undertaking to maintain Avis as a separate company with its present management and the present Board plus Norton Simon directors.

Fuqua, on the other hand, has said that it will retain the existing management but make a clean sweep of the Board.

The involvement of the courts in this battle makes the future obscure. The court hearing on the Norton Simon offer could take place on or around June 15, while a separate hearing is due about then on Fuqua's attempt to prevent the public offering of shares which may have been further stalled by the Norton Simon offer any way.

Clearly, Fuqua is not ready to give up the fight, and its Board is due to meet this week to consider a revised offer for the trustee stock and for the 53 per cent. of outstanding stock.

## ICI Aust. lifts interim

BY JAMES FORTH SYDNEY, June 7.

ICI AUSTRALIA, partly-owned offshoot of the British chemicals, plastics and synthetic fibres group, has lifted its interim dividend payment following a dramatic 53 per cent. boost in earnings for the March half-year. Profit rose from $A9.16m. to $A14.0m., continuing the recovery since the disappointing 1974-75 year when profit slumped from $A22.3m. to $A14.5m. Last year earnings increased to $A21.5m. and the group appears likely to top that result in the current year.

The latest result represents a return of 8.8 per cent. on shareholders' funds, compared with only 6.5 per cent. a year earlier.

The interim dividend is lifted from 5c a share to 6c. Last year the directors paid a final of 8c, increasing the total payout from 12c to 13c.

The directors said that as well as improved sales—up 17.8 per cent. from $A305m. to $A359m.—the profit increase was helped by improvements in productivity, which in turn was related to new capital expenditure. The group plans to spend more than $A300m. on capital expansion over the next three to four years.

Growth in sales of heavy chemicals, pharmaceuticals, plastics and fertilisers continued, but sales of commercial explosives to the mining industry showed little expansion.

Demand for agricultural chemicals was now improving with better expectations in some sectors of the rural industry.

One poor spot was the fibre makers subsidiary, which has run up losses of about $A5m. over the past two years, and again traded at a loss, although at a reducing rate. Further action had been taken to rationalise fibremakers operations to improve profitability.

The directors said the Australian fibres and textile industries continued to be adversely affected by imports. Reduced import quotas introduced recently by the Government would have little effect on demand for fibremakers' products for some time as stocks held by the textile industry remained high.

● THE MAJOR newspaper, television and publishing group, the Herald and Weekly Times, boosted earnings 20 per cent. from $A5.2m. to $A6.3m. in the March half year.

The directors gave no indications of the reasons behind the improvement, but last year, when profit was a peak $A13m., the television and publishing activities showed the strongest gains. Reflecting the conversion to colour television, earnings of Herald Sun TV last year soared from $A145,000 to $A1.44m.

The latest half-year increase was achieved on a sales lift of 14 per cent., from $A72.9m. to $A82.9m. The interim dividend is held at 5 cents a share.

## Good year for Metal Box Berhad

BY WONG SULONG KUALA LUMPUR, June 7.

METAL BOX BERHAD, the Mayalsian company, which was set up after the split of Metal Box's activities in Malaysia and Singapore, had an impressive first year ending March 31, with profits rising by 95 per cent. to 5.12m. ringgits.

This compared with 2.62m. ringgits profit from the old Metal Box activities in Malaysia.

Sales increased by some 13 per cent. to 48.4m. ringgits. After tax, MMB's profits came to 2.67m. ringgits.

The company is paying a final dividend of 10 per cent., making total dividends of 15 per cent. Shareholders of the Malaysian company are therefore more fortunate than those in the Singapore company, who will have to wait until January, 1978, for a dividend because of the lack of tax credit to cover the payment.

Following the split of the Malaysian-Singapore operations, MBB privately placed 2.35m. shares of one ringgit each to Malaysian investors and interests in April last year.

# Peking banking delegation in London

By Colina McDougal

A HIGH-LEVEL delegation from the Bank of China's head office in Peking arrived in London on Sunday and is expected to stay until June 28. Its visit may be prolonged to fit in further engagements.

The delegation is led by Pu Ming, vice-chairman of the Board of directors and general manager. The other members are Tsui Ping, managing director and deputy general manager, Chou Cheng-Shing, deputy manager of the business department in Peking, and Li Ze-Ting, secretary to the vice-chairman.

The delegation is expecting to see mainly British banks. It has just completed a month-long trip round Europe, visiting Switzerland, West Germany and Belgium. Its plans include a visit to Derby to the Rolls-Royce works, arranged by the National Westminster Bank, and another to Scotland.

This is the first senior group from the Bank of China to come to London since 1973. Its advent has caused considerable speculation as to whether the Chinese plan new financial initiatives. However, the Bank of China is reported to maintain that the delegation is simply returning the visit of those European bankers who have made the trip to Peking.

The visit follows the visit to China of important U.S. and Japanese banking teams. The Japanese Press reported that their bankers had been discussing the extension of substantial overdraft facilities to the Chinese.

# Capital injection for SSIH

By John Wicks

ZURICH, June 7.

SWITZERLAND'S second biggest watch group, the Geneva-based Société Suisse pour l'Industrie Horlogere S.A. (SSIH), is to receive a large-scale capital injection following heavy operating losses in 1975 and again last year. The international trading company Siber Hegner is, through its subsidiary Siber Hegner Invest S.A., to take over Sw.Fr.25m. of new share capital to be issued at par by the Geneva undertaking.

The capital increase, which will raise overall capital from Sw.Fr.44m. to Sw.Fr.69m., will be in the form of 250,000 registered shares of Sw.Fr.100 nominal value. The transaction will give Siber Hegner a 36.2 per cent. stake in the SSIH capital and one of as much as 43 per cent. in the total number of shares outstanding. Siber Hegner has for many years distributed Swiss watches, including the best-known SSIH brand Omega, on various overseas markets and more recently acquired an interest in the group's domestic sales operations.

Total turnover of the group fell last year to a consolidated Sw.Fr.626.4m., compared with sales of Sw.Fr.705.7m. in 1975 and Sw.Fr.722.3m. in the previous year, while group operating loss reached a figure of Sw.Fr.78.7m. in 1976 after a shortfall of Sw.Fr.46.5m. in 1975. Group net loss amounted to Sw.Fr.46.2m. (1975: Sw.Fr. 29.2m.).

The Geneva parent company last year recorded a loss of Sw.Fr.27.5m., after one of Sw.Fr.7m. in 1975. The large deficits are due to a fall in volume sales, as well as to high depreciation needs.

MERCHANT INDUSTRIAL GASES

# Air Products in Europe

BY JOHN WICKS

OVER A FIVE-YEAR period starting this year, the U.S. undertaking Air Products and Chemicals is to invest some $200m. in Europe. This forms part of a capital expenditure programme by the group of about $1bn. in new plant and equipment worldwide.

John A. Mountain, vice-president, finance, of the Allentown-based parent company, and European treasurer David H. Kelly told the Financial Times that particular emphasis will be placed on the development of the European market for so-called merchant industrial gases. These are gases, primarily liquid oxygen and nitrogen, for delivery "over the road" to the market instead of by pipeline to single industrial users.

Operating throughout the EEC, Air Products anticipates annual growth in this sector in major European markets in the period 1977-81 of 11 per cent., each in the U.K. and Federal Germany, 13 per cent. in France, 12 per cent. in Belgium and 10 per cent. in Holland. In the U.K., where the company has a share of the "merchant" liquid oxygen/liquid nitrogen market of some 46 per cent. at present—its competitor being British Oxygen—it means to maintain about this share over the five-year period. A plant with a capacity of 300 tons per day has just been opened at Cumbernauld, Scotland, and further U.K. expansion is likely in the next few years.

In the other European countries where Air Products now operates, the aim is to increase market share. This is particularly so in France, where the company currently has only 9 per cent. of the market; a new merchant oxygen-nitrogen plant is to open next year at Air Products' existing works at St. Etienne in the South of France. In Germany, where the group has a 15 per cent. market share, production will be boosted this year by a new plant, also of 300 tons per day, at Lüneburg and capacity will probably be expanded during the coming three years. In Belgium (23 per cent. market share) and Holland (34 per cent.), the company earlier this year announced plans to take over the 40 per cent. minority stake of European partners in Air Products SA and Air Products BV—in the process obtaining 100 per cent. ownership of the French company Société des Produits de l'Air.

**AS TO to the finance for future European ventures, most of this will be raised in the U.S. Techniques are being investigated for partial European financing, although no offer of equity is planned.**

The company's future European investment may well also include on-site facilities for major industrial users. Industrial gas supplies of this kind are usually made by short distance pipelines to steel and chemical plants. Due mainly to the present state of the steel industry, this side of Air Products' business in Europe is developing much less slowly than the "merchant" market. On-site nitrogen generators were commissioned last year in Stade, Germany, and Chalampe, France. Pipeline-feed gas delivery systems are naturally ordered on an *ad hoc* basis and generally pose no difficulties with regard to financing.

Outside the actual industrial gas sector, Air Products is considering future European production of chemicals. No exact projects have yet emerged, but any plant finally decided on would make chemicals already produced in the company's U.S. sales programme — possibly chemical intermediates or polymer chemicals—and might be set up in the Low Countries or the United Kingdom.

Elsewhere, business in Europe is developing well in the field of cryogenic engineering and catalysts. The catalytic division, which operates the successful London-based subsidiary Catlytic International, last year set up Catalytic Ireland in Dublin to offer a full range of engineering, procurement and construction services in the Eastern Hemisphere. Latest figures from Air Products' German partner show favourable development in the actual catalyst manufacturing operation of Houdry-Huls, based on the Chemische Werke Huls plant in Marl.

As to the financing of future European ventures—which also may include acquisitions akin to Air Products' existing operations and candidates for which are being "aggresively sought and screened"—most of this will be raised in the U.S. Techniques are being investigated for partial European financing, although no equity offer is planned. Possible benefits of listings on various European stock exchanges are currently being evaluated.

A "nice increase" is anticipated for European sales and profits by Air Products. In the first half of the current 1976-77 fiscal year (the six-month period ended March 31), European sales were up to $77.17m. ($68.25m.) within the company's gases and equipment division, after having risen steadily over the past ten years. The negative effect of foreign-exchange relationships led to a slight fall in operating profits to $11m. ($11.36m.). Apart from the rapid expansion in merchant industrial gases particularly

Air Products is working hard on developing new applications for its sales programme and points to specific growth opportunities in individual fields such as liquid-nitrogen food freezing. Any acquisitions the company might make in Europe would, furthermore, be in fast-growth sectors and possibly include the purchase of outside technology.

In the U.S. itself, business is also expanding well and total turnover, including European sales, has been rising steadily over the past ten years to reach the record figure of $818.2m. in fiscal 1976. In the first half of the current fiscal year, overall sales were up again, to a semi-annual $453.89m. ($393.89m.), with net earnings per share an unchanged $1.15; an improvement in performance is expected in the second half of 1976-77. In the period 1976-81, Air Products reckons, in merchant industrial gases alone, with annual compound growth of the U.S. merchant industrial gas market of 8.4 per cent. for liquid oxygen and nitrogen — and is itself recording an annual growth in these fields there of 12 per cent. Between this spring and 1980, capacities amounting to 1,800 tons/day of liquid oxygen/liquid nitrogen will be commissioned by the group in the U.S. and Canada.

# Losses reported at Semperit

BY PAUL LENDVAI

VIENNA, June 7.

SEMPERIT AG, the Austrian rubber concern reports a 11 per cent. rise in turnover to Sch.5bn. (£180m.) in 1976 but also a net loss of Sch.73m., only slightly down on the Sch.88m. loss recorded for the previous business year.

For the third consecutive year the company, controlled by the Creditanstalt Bankverein, Austria's number one bank passes the annual dividend. It was 8 per cent. in 1972 and was halved to 4 per cent. in 1973.

The board stresses that the crisis in the European tyre industry which two years ago fully hit Semperit too has not been overcome. The transition to radial tyres and the speed limits combined to reduce the demand for tyres, which account for 63 per cent. of Semperit's aggregate turnover.

The pressure of imports has also increased on the Austrian market. Nevertheless the company succeeded in running down the accumulated stocks and improving the utilisation of available capacities.

It is claimed by the board that the co-operation, particularly in the domain of research and development, with the French Klever-Colombes Company (since 1973) contributed to the improvement. After a fall of 11.8 per cent. in output in 1975, Semperit managed to raise production last year by 5 per cent. to 96,800 tons.

Exports accounted for 48.2 per cent. of the sales and if one adds the fully owned subsidiary plant at Dublin, the proportion of exports rises to 52.5 per cent., an all-time peak. The Semperit group turnover which includes in addition to the Dublin plant other subsidiaries in Germany and holdings in Yugoslav companies, rose by 12.3 per cent. to Sch.6bn. in 1976. Output was up by 12.9 per cent. to 155,700 tons. Production staff at the parent company was again slightly increased from 8,785 to 9,017 and at the group as a whole from 12,996 to 13,574.

The Board's report stresses that since mid-1976 demand both abroad and at home picked up, though sales to the Comecon countries continued to decline due to foreign exchange difficulties and import restriction in that area. In view of unused capacities of most other rubber producers, the Board reckons with a further intensification of competition. The trend towards rising costs is likely to prevail.

Nevertheless Semperit looks with "moderate optimism" to the future on the basis of growing possibilities found in the co-operation with Kleber-Colombes.

During the first four months of 1977 sales were up by 9.4 per cent. on the same period last year and the higher degree of utilisation of capacities should have positive effects on the earnings position, the Board concludes.

## Bosch stake in AMI

ROBERT BOSCH GMBH said it will pay $14.2m. for a 25 per cent. stake in American Microsystems Inc. (AMI) of Santa Clara, California, Reuter reports from Stuttgart.

Under the deal, to be concluded on June 30, Bosch will pay $19 each for 747,000 shares in AMI, which employs over 3,600 people and had a turnover last year of $67m.

The firms have also signed a five-year agreement for the joint development of electronic circuits for use in Bosch products, the German company said.

# Lufthansa triples profit —plans big investment

BY JONATHAN CARR

COLOGNE, June 7.

THE WEST GERMAN airline Lufthansa is proposing an increased dividend after more than tripling its net profit in 1976—much the most successful year in its history. With the threat of a strike now virtually banished, Lufthansa is heading for another good result in 1977.

The executive board chairman, Dr. Herbert Culmann, told the annual Press conference here that while earnings rose by 13.2 per cent. to DM4.3bn., net profit had reached DM112.3m., against just over DM33m. in 1975.

It was proposed to pay DM42m. as a 7 per cent. dividend compared with DM24.8m. in 1975, when 5 per cent. was paid to preference shareholders and 4 per cent. to ordinary shareholders. The State holds more than 70 per cent. of the capital stock, and Dr. Culmann made it clear he thought nothing of recent suggestions by the Parliamentary opposition that this holding should be reduced.

Dr. Culmann said last year's result was so satisfactory that an even higher dividend payout would have been feasible. But in view of its big investment plans over the next few years, Lufthansa preferred substantially to boost reserves. Accordingly a total of DM70.3m. is being paid over to them from last year's profits.

Investment of almost DM900m. is planned to the end of 1979 —with DM361.5m. of that coming in this year alone. After adding three Airbuses and two Boeing 747 SLs to its fleet last year, Lufthansa plans to acquire three more Airbuses, one DC-10, one Boeing 727 and one Boeing 747.

Dr. Culmann stressed that for Lufthansa there was no question of buying Concorde. He noted ironically that the British and French had different aims in this connection. If a later generation of supersonic transports offered the prospect of money-making business, of course Lufthansa would examine the new situation.

Last year's good result was due in particular to the performance of Lufthansa's regular air services which showed a profit of DM72.8m. after three consecutive years of losses. Even Lufthansa's longer, non-stop inner-German services have recently started to make a profit, although overall the German business continues to make a loss of between DM60m.-DM80m. annually.

Total earnings from air transport (passengers, freight and post) rose by 15 per cent. against 1975 to DM3.5bn. The North Atlantic route was among the most successful with 13 per cent. more passengers—some of them apparently attracted by a "keep fit" programme which is claimed to be one of the advantages on the Jumbos.

For the first quarter of this year earnings are up by nearly 7 per cent., and the cautious estimate for this year's profit is that it will once again be "in three figures."

This would have been put seriously at risk had the white collar workers union DAG, in which most Lufthansa crew members are grouped, carried out its threat to strike unless an offer of pay and conditions were improved.

But a compromise was reached with management last week and it remains only to put this to the vote of the union membership later this week.

The dispute was made particularly complex because of the long-standing rivalry between the DAG and the huge public services union, the OETV, in which most of the ground personnel of Lufthansa are organised. The DAG appeared to have manoeuvred itself into a tough stance from which it was hard to retreat without losing face.

# Hoechst counter-attack on Left

BY DAVID CURRY

PARIS, June 7.

THE GERMAN chemicals giant, Hoechst, has sharply criticised the plan of the left-wing political parties in France to nationalise its French pharmaceutical subsidiary Roussel-Uclaf if they come to power in next year's general election.

The French company's management has up to now refused to comment on the nationalisation plan claiming that its job was the day to day running of the company without regard to political circumstances. The move to the offensive has come from Mr. Kurt Lanz, the French company's president and vice-president of the parent company which holds a stake of just over 50 per cent. He told shareholders at the annual meeting this week that nationalisation would threaten the entire development of the company.

Roussel-Uclaf, he claimed, drew its strength from its link with Hoechst and its own overseas implantation which contributed to the 60 per cent. of turnover realised outside France. Nationalisation would place in jeopardy all these overseas activities, Mr. Lanz commented. The company had been under attack from the Left because of its present emphasis on overseas investment. It replies that this is necessary to maintain the growth of earnings outside France and to redress the balance between home and foreign investment. But it has equally emphasised that the present level of foreign investment is exceptional.

Mr. Lanz said it was absurd to accuse the company of monopoly since it held only 6 per cent. of the home market for specialist drugs and these sales contributed only 20 per cent. of the company's total.

He repeated the warning already given by Hoechst that it might fight nationalisation by seeking EEC intervention or even having recourse to the International Court of Justice.

Roussel-Uclaf is one of nine big companies down for nationalisation along with the entire credit sector if the Left wins power. Its situation is roughly analogous to that of the computer company CII-Honeywell Bull which although majority French-owned, counts the American group Honeywell as its dominant if minor shareholder and which in practice controls the company's activities.

The remarks of Mr. Lanz illustrate the growing offensive in the part of the "nationalisationable" companies. St.-Gobain-Pont-a-Mousson, the largest of the candidates for such an honour, declared war some time ago and the financial sector has just formed a joint campaign committee to resist nationalisation. The most significant exception up to now has been the chemicals and textiles group Rhone-Poulenc which has suffered severe financial losses, and has also been subject to conflicts over policy and personalities *within the management.*

● **Adrian Dicks** writes from Bonn: Hoechst is reducing by half its original sales projections for 1977, based on the experience of the first five months, the chairman, Herr Rolf Sammet, told the annual meeting in Frankfurt to-day. He called the development of the chemical group's business so far this year "disappointing," although the month of March had stood out as exceptionally good.

# New stakeholders at Feichtner

BY OUR OWN CORRESPONDENT

VIENNA, June 7.

BANKHAUS FEICHTNER of Vienna, a small private banking house, will be a joint stock company with the Oesterreichische Postsparkasse, the postal savings bank, and the Nieder-Oesterreichische Hypotheken-bank, the Lower Austrian Mortgage Bank, taking a majority interest. Subject to approval of the supervisory boards of the two credit institutes, the Lower Austrian Mortgage Bank will have a 51 per cent. holding in the bank, which last year had consolidated assets to the tune of Sch.500m. (about £15m.). The hitherto owner, Herr Gerald Lang sells 44 per cent. of the remainder to the Postsparkasse and retains only 5 per cent., but will continue to remain chairman of the Board of directors. Mr. Kurt Noesslinger of the Postsparkasse and Mr. Heinrich Mueller of the Lower Austrian Mortgage Bank will join the Board.

Zentralsparkasse, the largest Vienna-based Austrian savings bank, is to acquire a controlling interest in "Wien-Kredit," a hire purchase bank in the Austrian capital. Hitherto the Sch.23.75m. capital of Wien-Credit was held by the Wiener Holding, the umbrella company for the holdings of the Municipality of Vienna and Wiener Staedtische, the municipal insurance company. The takeover by Zentralsparkasse of 51 per cent. will be carried out by way of a major capital increase. Through the acquisition, Zentralsparkasse will gain seven branch offices in the provinces. So far the regional savings banks have not been allowed to open branch offices in other areas.

Meanwhile Donau, Vienna insurance company, will be merged with Anglo-Danubian Lloyd, an insurance company controlled by the Wiener Staedtische. So far Wiener Staedtische had a 57.34 per cent. interest "Donau" and the Swiss Rueckversicherungs AG held the rest of the Sch.72m. equity. Capital of "Donau" will now be raised by Sch.18m. to Sch.90m. with a reduction of the Swiss interest to 26 per cent. of the increased capital.

## Astra lowers sales target

By William Dullforce

STOCKHOLM, June 7.

ASTRA, the Swedish pharmaceuticals concern, has lowered its earnings growth target for 1977 after a smaller turnover increase than expected during the first four months.

Sales rose from 483m. kronor in the corresponding period of 1976 to 524m. kronor (£70m.) representing a growth of 11 per cent. when adjusted for the sale and acquisition of subsidiaries.

Astra was looking for a 15 per cent. rise in turnover to 1.7bn. kronor this year and a slightly higher rate of growth in earnings, which were 103m. kronor last year. In the four-month interim report Mr. Ulf Widengren, the new managing director, states that sales may fall short of the earlier forecast, while earnings are expected to increase at the same rate as turnover.

Foreign pharmaceutical sales, which account for close to 60 per cent. of the total, rose twice as fast as domestic sales during the first four months but developments in West Germany and Holland did not come up to expectations. Astra has nevertheless decided to invest 20m. kronor in a new plant for its West German subsidiary.

The concern is planning investments totalling some 120m. kronor this year compared with the 98m. kronor spent last year. At the end of April its liquid assets totalled 107m. kronor, or just under 40m. kronor less than at the beginning of the year.

*Notice of Redemption*

# Massey-Ferguson Nederland N.V.

**9¾% Guaranteed Sinking Fund Debentures Due July 1, 1982**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of July 1, 1975 under which the above described Debentures were issued, Citibank, N.A., as Fiscal Agent, has drawn by lot, for redemption on July 1, 1977, through the operation of the sinking fund provided for in the said Agreement, $2,000,000 principal amount of Debentures of the said issue of the following distinctive numbers:

COUPON DEBENTURES OF $1,000 PRINCIPAL AMOUNT OUTSTANDING

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| M 8 | 3481 | 4374 | 6679 | 8638 | 10624 | 12896 | 15100 | 17482 | 20162 | 22517 | 25345 | 28144 | 30991 | 33754 | 36751 |
| 21 | 2541 | 4396 | 6684 | 3661 | 10625 | 12919 | 15112 | 17637 | 20168 | 22513 | 25352 | 28185 | 30998 | 33795 | 36779 |
| 46 | 2547 | 4406 | 6701 | 8665 | 10648 | 13920 | 15113 | 17646 | 20173 | 22520 | 25355 | 28207 | 31013 | 33830 | 36790 |
| 54 | 2550 | 4474 | 6709 | 8675 | 10668 | 12921 | 15114 | 17662 | 20177 | 22566 | 25358 | 28218 | 31027 | 33861 | 36802 |
| 37 | 2557 | 4480 | 6717 | 8684 | 10687 | 12952 | 15127 | 17696 | 20189 | 22594 | 25385 | 28240 | 31043 | 33879 | 36816 |
| 123 | 2585 | 4497 | 6738 | 8686 | 10777 | 12963 | 15128 | 17713 | 20160 | 22675 | 25388 | 28252 | 31047 | 33881 | 36833 |
| 158 | 2597 | 4498 | 6743 | 8690 | 10780 | 12982 | 15192 | 17733 | 20192 | 22677 | 25519 | 28260 | 31053 | 33882 | 36848 |
| 165 | 2605 | 4508 | 6779 | 8737 | 10800 | 12993 | 15193 | 17734 | 20210 | 22686 | 25528 | 28261 | 31104 | 33845 | 36871 |
| 170 | 2608 | 4511 | 6804 | 8742 | 10803 | 12998 | 15198 | 17735 | 20212 | 22691 | 25533 | 28389 | 31146 | 33983 | 36899 |
| 199 | 2609 | 4514 | 6812 | 3754 | 10824 | 13012 | 15221 | 17754 | 20261 | 22715 | 25580 | 28395 | 31161 | 33993 | 36912 |
| 213 | 2614 | 4533 | 6814 | 8765 | 10828 | 13015 | 15227 | 17802 | 20278 | 22731 | 25592 | 28411 | 31192 | 33989 | 36930 |
| 222 | 2623 | 4545 | 6825 | 8773 | 10830 | 13059 | 15230 | 17804 | 20284 | 22740 | 25598 | 28420 | 31203 | 34046 | 36952 |
| 223 | 2624 | 4560 | 6842 | 8787 | 10838 | 13061 | 15232 | 17805 | 20333 | 22742 | 25639 | 28421 | 31204 | 34049 | 36973 |
| 224 | 2664 | 4567 | 6848 | 3792 | 10863 | 13073 | 15309 | 17817 | 20337 | 22746 | 25640 | 28455 | 31213 | 34075 | 36994 |
| 225 | 2671 | 4575 | 6850 | 8800 | 10867 | 13086 | 15320 | 17837 | 20341 | 22779 | 25657 | 28471 | 31215 | 34076 | 37001 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 2210 | 4146 | 6322 | 8274 | 10357 | 12680 | 14768 | 17200 | 19954 | 22187 | 24987 | 27727 | 30651 | 33312 | 36400 | 39100 |
| 2229 | 4172 | 6374 | 8273 | 10380 | 12632 | 14773 | 17210 | 13973 | 22135 | 24982 | 27780 | 30654 | 33335 | 36417 | 39131 |
| 2285 | 4173 | 6426 | 8325 | 10367 | 12637 | 14774 | 17232 | 19973 | 22203 | 24990 | 27790 | 30671 | 33420 | 36425 | 39188 |
| 2303 | 4196 | 6455 | 8333 | 10426 | 12647 | 14812 | 17233 | 13977 | 22227 | 24995 | 27854 | 30672 | 33422 | 36444 | 39210 |
| 2312 | 4204 | 6491 | 8342 | 10434 | 12652 | 14855 | 17235 | 19987 | 22233 | 25107 | 27858 | 30693 | 33438 | 36481 | 39272 |
| 2313 | 4207 | 6509 | 8357 | 10444 | 12674 | 14865 | 17297 | 20008 | 22255 | 25113 | 27878 | 30701 | 33447 | 36498 | 39306 |
| 2325 | 4223 | 6533 | 8373 | 10459 | 12737 | 14871 | 17311 | 20009 | 22399 | 25132 | 27884 | 30707 | 33466 | 36503 | 39340 |
| 2338 | 4274 | 3554 | 8391 | 10460 | 12738 | 14881 | 17335 | 20014 | 22401 | 25139 | 27883 | 30829 | 33482 | 36528 | 39381 |
| 2371 | 4306 | 6570 | 8424 | 10466 | 12765 | 14885 | 17377 | 20013 | 22404 | 25158 | 27899 | 30849 | 33611 | 36555 | 39414 |
| 2384 | 4313 | 6571 | 8449 | 10478 | 12766 | 14886 | 17389 | 20034 | 22408 | 25161 | 28043 | 30865 | 33632 | 36571 | 39458 |
| 2402 | 4327 | 6583 | 8453 | 10505 | 12774 | 14893 | 17393 | 20041 | 22411 | 25263 | 28047 | 30870 | 33671 | 36582 | 39476 |
| 2419 | 4344 | 6629 | 8469 | 10517 | 12829 | 14894 | 17412 | 20043 | 22428 | 25264 | 28055 | 30911 | 33674 | 36610 | 39498 |
| 2445 | 4348 | 6642 | 8484 | 10513 | 12839 | 14909 | 17421 | 20044 | 22441 | 25288 | 28079 | 30930 | 33690 | 36650 | 39511 |
| 2470 | 4360 | 6647 | 3532 | 10526 | 12863 | 14913 | 17434 | 20069 | 22475 | 25292 | 28088 | 30954 | 33718 | 36663 | 39570 |
| 2471 | 4361 | 6655 | 8590 | 10537 | 12866 | 14921 | 17437 | 20077 | 22492 | 25298 | 28111 | 30958 | 33748 | 36681 | 39592 |
| 2484 | 4365 | 6678 | 8599 | 18577 | 12875 | 15083 | 17459 | 20128 | 22498 | 25317 | 28125 | 30968 | 33752 | 86700 | 39711 |
| 2486 | 4370 | 8673 | 8637 | 10592 | 12876 | 15093 | 17463 | 20151 | 22514 | 25344 | 28130 | 30987 | 33753 | 36722 | 39900 |

The Debentures specified above, are to be redeemed for Sinking Fund (a) at the W.C.G.-Agency Services Department of the Fiscal Agent, 111 Wall St., Bond Window—2nd Floor, in the Borough of Manhattan, The City of New York or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in London (Citibank House); Citibank (Luxembourg) S.A.; Credito Italiano, Milan; Dresdner Bank Aktiengesellschaft, Frankfurt/Main; Pierson, Heldring & Pierson, Amsterdam; Societe Generale, Paris Swiss Bank Corporation, Basle; Credit Suisse, Zurich and Societe Generale de Banque S.A., Brussels. Payment at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by transfer to a United States dollar account maintained by the payee with a bank in New York City on July 1, 1977, the date on which they shall become due and payable. UPON PRESENTATION AND SURRENDER THEREOF, at the redemption price of 100 per cent of the principal amount thereof, together with accrued interest to the date fixed for redemption. On and after said redemption date, interest on said Debentures will cease to accrue.

The Debentures should be presented at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date.

Coupons due July 1, 1977 should be detached and presented for payment in the usual manner.

For MASSEY-FERGUSON NEDERLAND N.V.

By CITIBANK, N.A.
Fiscal Agent

May 31, 1977

**30th JUNE 1977 REDEMPTION**

# MIDTKRAFT ELECTRICITY

**(Interessentskabet Midtkraft)**

## U.S. $8,000,000 5¾% Bonds 1979

**REDEMPTION OF BONDS**

Midtkraft Electricity announces that for the redemption period ending on 30th June 1977 it has purchased and cancelled bonds of the above loan for U.S.$439,000 nominal capital.

The nominal amount of bonds to be drawn for redemption at par on 30th June 1977 to satisfy the Company's current redemption obligation is accordingly U.S.$361,000 and the nominal amount of this loan remaining outstanding after 30th June 1977 will be U.S.$1,600,000.

**DRAWING OF BONDS**

Notice is accordingly hereby given that a drawing of bonds of the above loan took place on 20th May 1977 attended by Mr. Keith Francis Croft Baker of the firm of John Venn & Sons, Notary Public, when 361 bonds for a total of U.S.$361,000 nominal capital were drawn for redemption at par on 30th June 1977.

The following are the numbers of the bonds drawn:

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 33 | 36 | 84 | 131 | 282 | 460 | 521 | 563 | 606 | 939 |
| 917 | 970 | 972 | 973 | 975 | 976 | 980 | 984 | 992 | 1002 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Witness: K.F.C. Baker, Notary Public.

The above bonds may be presented for payment of the proceeds of redemption at par on or after 30th June 1977 at the offices of the paying agents named on the coupons in the manner specified in Condition 4 of the Terms and Conditions of the Loan printed on the bonds. Each of the bonds when presented for redemption must bear the coupon dated 30th June 1978, and the subsequent coupons, otherwise the amount of the missing coupons will be deducted from the principal to be repaid.

**Principal Paying Agent: N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.**

*8th June 1977*

# WALL STREET + OVERSEAS MARKETS

# Slightly weaker in slow trading

BY OUR WALL STREET CORRESPONDENT

NEW YORK, June 7.

STOCK PRICES resumed the slow decline of Monday in moderate trading.

The market opening coincided with the release of a U.S. Government survey which estimated that U.S. business will increase its capital spending in 1977 by only 7.5 per cent. in real terms.

The Dow Jones Industrial Average, off nearly two points earlier was around 902.65 at midsession just 0.42 lower while the New York Stock Exchange index declined fractionally. Losing stocks outnumbered advances nearly seven to four on the Big Board with volume about 8m. shares.

The Transport Index lost 0.87 to 234.86 and the Stocks Index fell 0.34 to 307.03. But the Utilities Index put on 0.07 to 112.00.

Continuing to hold the top spot on the Big Board activities list, Twentieth Century Fox fell $1 to $20¾ after rising steadily during the past week. The company cautioned yesterday against prematurely estimating the effect of its new film "Star Wars" on earnings which, it said grossed $5.2m. in box office receipts in the first 11 days.

Other cinema and related stocks, which, apparently had been basking in the limelight of Fox, were also lower. MGM declined $¾ to $23½. Columbia Pictures lost 25 cents to $13¾ and General Cinema fell $1 to $25.

Tandy Corp. fell $2½ to $21¼ after reporting a decline in its sales of Citizens Band radio sets.

On the American Stock Exchange, prices were lower in moderate trading. The Amex Index declined 0.17 to 113.07 at midsession.

Resorts International Class "A"—the volume leader—declined $¾ to $14¼ on 115,100 shares.

Stock prices recovered somewhat after lunch from earlier lows but continued on the downside in moderate trading.

**Closing prices and market reports were not available for this edition.**

Inmont Corporation climbed $2½ to $23½ after rejecting a proposed takeover bid by Esmark Inc. Esmark, which declined 50 cents to $33¼, said earlier it would continue to press the bid.

Soft drink shares declined, apparently on a new medical report prepared for Congress, which agreed with a recent Food and Drug Administration finding that saccharin may cause cancer. Pepsico declined $¾ to $23¾, Coca Cola lost $1 to $36¾ and Seven Up, traded over the counter, was down 50 cents at $26¾.

## OTHER MARKETS

### Canada mixed

Canadian share prices were mostly lower in light noon trading. The Toronto composite index was off more than 1½ points and declines led advances 144 to 100.

Cominco at $32¾ and Moore Corporation at $30¾ each lost 50 cents while Aquitaine at $15¼, Walker-Gooderham "A" at $24¼, Massey-Ferguson at $20¾ and Dome Petroleum at $83¾ all fell $1.

Vulcan Industrial Packaging gained 50 cents to $17¾ and Thomson Industries added $1 to $14¾. Canadian International Power "A"—the most active issue—was unchanged at $20¾, trading 103,000 shares.

In Montreal, the market was mixed in moderate noon trading with Banks, Utilities and Papers higher measured by their index and Industrials slightly lower. The Industrial index lost 0.61 at 168.03 and the Composite Index was down 0.36 at 172.24.

Inco "A" at $28 and Canron at $23¾ added 25 cents while IAC at $16¾, Toronto-Dominion Bank at $16¾, Maritime Telegraph and Telecommunications at $20¾ and Bell Canada at $53¾ advanced ¼. B.C. Telephone—the second most active issue—rose 25 cents to $13¼.

Losing 25 cents were Brascan "A" at $12¼, Westcoast Transmission at $30¼, Massey-Ferguson at $21, Pacific Petroleum at $27¾ and Seagram at $20¾. Moore Corporation dropped $¾ to $30¾ and Simpsons fell 5 cents to $4.85.

PARIS—The market was closed for a one-day strike.

BRUSSELS—Share prices closed mixed to mostly lower following Wall Street's easier close. Sidro, Union Miniere, Clabecq and GB were higher but Copeba, Vieille Montagne, Gevaert, Monsane, St. Roch, Cometra and Arbed all fell. Hoboken was unchanged after announcing that it expected some improvement in results for the current year.

U.K. stocks were little changed. French and Germans fell slightly and Dutch were also lower. Canadians were mixed and most U.S. stocks fell. Golds rose as did Canadian Petrofina, but Petrofina and its U.S. unit were both lower.

AMSTERDAM—The market closed lower in very quiet trading with Unilever and Royal Dutch leading declines in Dutch Internationals.

Elsewhere, Banks and Insurances were slightly firmer with the exception of ABN and AMFAS. KLM lost Fl.2.20. Shippings, Trading Shares and Insurances were mostly lower headed by Bijenkorf, Weineken and Ocegrinten.

FRANKFURT—Shares closed mostly DM1-DM3 weaker due to the easier U.S. tone and buying reservation due to a weaker bond market.

Neckermann rose against the trend by DM2.10 but the reason for this was unclear. Ordinary shares of Lufthansa which expects higher 1977 after-tax profits, fell DM1.50, while Hoechst, which may halve its 1977 sales growth target, eased DM2.50.

Public loan prices fell by up to 50 pfenings with last month's 6.5 per cent. Deutsche Bundesbahn Loan trading at 98.5 per cent. against its par pricing. The regulating authorities bought DM93m. marks (DM42m.), nominal of paper.

ZURICH—The market closed slightly lower in continued quiet dealings. Leading Banks were narrowly mixed.

Leu Bearer and Hypothekarbank Winterthur eased while Landis ruled very steady. Landis Registered and Forbo "A" lost some ground among little changed Financials, but Juvena Bearer and Oerlikon-Buehrle Registered were steady. Insurances continued stable while small losses predominated among Industrials.

In a moderately active Foreign sector dollar stocks fell led by Blue Chips and glamour shares. Dutch stocks ruled quietly steady apart from easier Unilever.

OSLO—The market was little changed in quiet dealings.

VIENNA—Slightly lower in moderate trading.

COPENHAGEN—Mixed in moderate dealings.

MILAN—Striking bourse clerks continued to block quotations on the Milan stock exchange for the third session running. They are meeting again to discuss their strike and at national level representatives from all Italian boursee will meet to-morrow.

JOHANNESBURG—The stock market was quiet because of the U.K. holiday, but most sectors showed a firmer trend.

Gold shares hardened on overnight New York demand and local buying interest. Heavyweights gained up to 50 cents while Medium and Lightweight issues rose up to 25 cents. Financial Minings were firmer in line with producers but were quietly traded.

Coppers and Platinums were quiet and little changed. De Beers was two cents lower at R413. Collieries were firmer on local demand and Tavistock gained 50 cents. Industrials were steady and showed some firm spots.

TOKYO—Share prices closed sharply lower across the board on Wall Street's fall. The Tokyo SE index closed at 375.21, down 2.72.

**Wall Street and Canadian prices appear on page 36**

Export-oriented Electricals, Motors and Precision Instruments led the fall on fears that Japan's increasing trade surplus may cause further friction with the U.S. and European countries. Sony fell Y30 to Y2,440, Pioneer Y50 to Y1,560 and Nissan Motor Y9 to Y710.

Steels, Phamaceuticals, Machines, Constructions and Oils all lost ground, while some resources shares advanced in early trading following the Government's call for energy-saving measures ... turned lower on late profit-taking sales. Among limited ... were Fuji Photo Film ... added Y6 to Y535 on foreign buying.

HONG KONG—The market closed lower in fairly quiet trading after opening easier in line with the decline on Wall Street.

HK Land and Jardines each ... cents each to $HK... $HK15.70 respectively. ... Pacific and Wheelock ... cents each to $HK... $HK2.75 respectively. HK ... was unchanged and ... remained suspended.

AUSTRALIA—Prices closed broadly lower in light trading. Australian stock markets ... downward trend was attributed to lack of activity in London due to the holiday. However, light bargain hunting kept prices from closing even lower.

BHP traded as low as $A... early in the session but closed at $A6.30. The groups hardest hit were Properties, finance-releted shares, building materials suppliers and Brewers.

In Mining issues, Uranium closed lower with Pancontinental slipping 65 cents to $A... base metal mines also eased with the exception of ... rose to $A1.35 and North ... 1 to $A1.18. Both issues rose on renewed take-over rumours.

The Wales, CSR and ... but EZ Industries lost five ... to $A3.20 and the ANZ Bank ... 5 cents to $A3.60.

# COMMODITIES

## U.S. may cut wheat output

By John Edwards, Commodities Editor

THE U.S. and Canada have discussed the possibility of cutting wheat production if more bumper crops are produced this year, Mr. Bob Bergland, U.S. Secretary of Agriculture, said in Washington.

Mr. Bergland said that experts in his department should have a fairly accurate appraisal of world wheat supplies by August 5 and he would then have to decide whether or not to reduce output.

If a crop reduction proved necessary, the U.S. would try to persuade Canada and other big wheat exporting countries to cut output too.

A slight fall in world wheat production this year from the record level of 417m. tonnes reached in 1976 was forecast in the latest report from the International Wheat Council about two weeks ago. Production was still expected to exceed demand though, raising surplus stocks to an even higher level.

World wheat prices have already been forced to low levels because of the bumper crops last year.

### U.S. Markets

NEW YORK, June 6.

[illegible]

# Teachers to try industry

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

TRAINEE teachers will spend at least three months in industry as part of new four-year degree courses which will start at Sunderland Polytechnic in September.

The courses are a response to growing criticism that the tendency for teachers to go straight from school to training college and then back to schools leaves them with a lack of understanding of industry.

This is thought by many people to be one of the reasons why academically able youngsters show a general reluctance to take industrial jobs, rather than go to work in central or local government or the professions.

The new courses are designed mainly for people wishing to specialise in teaching mathematics, the physical sciences or business studies. All are subject areas with a reported shortage of staff.

Students in the maths and the physical sciences programmes will be required to spend the months or more in industry. The period will be six months for those doing business studies.

Another novelty is that trainees will spend half their time being taught how to teach as distinct from concentrating largely on the study of academic subjects.

Although the courses are intended for aspiring teachers, students who decide that they would prefer other work will be able to transfer to a normal business studies degree.

## Review ships

BRITISH Rail's Channel ferries Sarnia and Senlac will go to the Queen's Silver Jubilee Spithead Review on June 28. Sarnia will take part in the review. The Senlac will be anchored off Ryde. Both will provide grandstand views as the Royal Yacht, Britannia, steams down the lines of 174 ships taking part.



## BOND DRAWING

NOTICE TO HOLDERS OF LAND BONDS

[illegible]



## COMPANY NOTICES

TENDERS FOR GREATER LONDON BILLS

[illegible]



**FINANCIAL TIMES**

| June 3 | June 2 | Month ago | Year ago |
|---|---|---|---|
| 263.52 | 263.71 | 268.10 | 285.22 |

(Base: July 1, 1952=100)

**REUTERS**

| June 3 | June 2 | Month ago | Year ago |
|---|---|---|---|
| 1630.0 | 1650.8 | 1696.9 | 1488.6 |

(Base: September 18, 1931=100)

**DOW JONES**

[illegible]

**MOODY'S**

[illegible]

## Entertainment Guide

CC—These theatres accept certain credit cards by telephone or at the box office

### OPERA & BALLET

### THEATRES

### CINEMAS

### ART GALLERIES

# FT Monthly Survey of Business Opinion

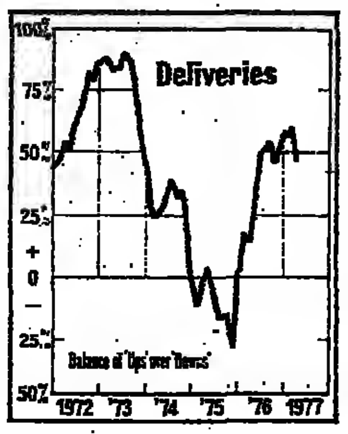


## GENERAL OUTLOOK

# As encouraging as before

THE REVIVAL in business confidence received a check last month. In part this was caused by the less optimistic mood in the consumer-oriented sectors of the economy, where the squeeze on personal disposable incomes has put a brake on sales and orders.

But it also reflected that fact that the industrialists interviewed for the survey last month were being asked to compare their attitudes towards the general business situation with those they held last January after the IMF loan and a mini-budget. As a result, they were more inclined to say that they were about as optimistic as then rather than to say that their optimism had increased further still.




The outlook is also tempered on the export side by concern about the future profitability of overseas sales. Although most exporters expect their shipments to continue to grow during the next 12 months, more and more companies are wondering whether North Sea oil will cause the pound to be over-valued and thus prevent exchange rate movements reflecting differing inflation trends, which in turn could squeeze either the price competitiveness or the profitability of U.K. exports.

## GENERAL BUSINESS SITUATION

4 monthly moving total — May 1977

| Are you more or less optimistic about your company's prospects than you were four months ago? | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| More optimistic | 37 | 43 | 36 | 30 | 39 | 14 | 31 |
| Neutral | 52 | 47 | 46 | 37 | 61 | 86 | 50 |
| Less optimistic | 11 | 10 | 18 | 33 | — | — | 19 |

## EXPORT PROSPECTS (Weighted by exports)

4 monthly moving total — May 1977

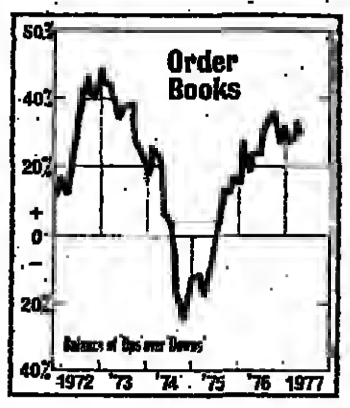
| Over the next 12 months exports will be: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Higher | 87 | 85 | 83 | 84 | 98 | 85 | 67 |
| Same | 11 | 14 | 13 | 11 | 2 | 12 | 33 |
| Lower | 2 | 1 | — | 1 | — | 3 | — |
| Don't know | — | — | 4 | 4 | — | — | — |

## ORDERS AND OUTPUT

# Consumer trades slow down

THE CONTRASTING fortunes of the consumer-orientated and industry-orientated sectors of the economy emerge quite clearly from the latest indicators for industrial activity.

With retail sales declining or, at best, sluggish, the stores and consumer service sector was more inclined than four months ago to report a lower rate of deliveries and less inclined to expect the volume of purchases from suppliers to increase.




In the cars and consumer durables sector deliveries were still rising, but fewer firms than before were reporting an increase in new orders and more firms were expressing concern about the pressure on disposable incomes and the growth in competition.

There was, however, some expectation that demand might be boosted by special events like the Jubilee and, in the London area, by the tourist trade, while among car firms it was felt that people were tending to buy as soon as they could for fear of further price increases.

In the consumer sectors of the electrical, engineering industry a similar pattern could be seen, but trends elsewhere were rather better thanks to increased confidence, stock building, overseas orders, and a revival in investment goods production.

## NEW ORDERS

4 monthly moving total — May 1977

| The trend of new orders in the last four months is: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Up | 57 | 62 | 61 | 58 | 32 | 83 | 52 |
| Same | 24 | 24 | 26 | 25 | 68 | 8 | 1 |
| Down | 14 | 10 | 9 | 14 | — | 9 | 38 |
| No answer | 5 | 4 | 4 | 3 | — | — | 9 |

## PRODUCTION/SALES TURNOVER

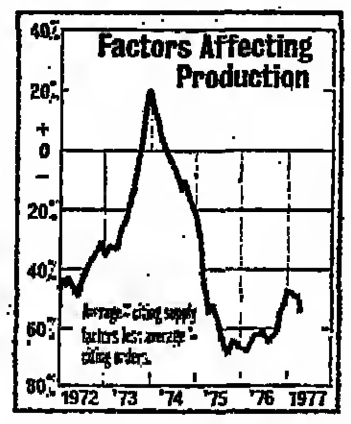
4 monthly moving total — May 1977

| Those expecting production-sales turnover in the next 12 months to: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Rise over 20% | 3 | 2 | 2 | 3 | 1 | 7 | 10 |
| Rise 15-19% | 4 | 2 | 2 | 5 | 1 | 37 | — |
| Rise 10-14% | 20 | 17 | 16 | 13 | 55 | 12 | 19 |
| Rise 5-9% | 27 | 27 | 24 | 21 | — | 16 | 31 |
| About the same | 40 | 41 | 46 | 50 | 42 | 28 | 40 |
| Fall 5-9% | 1 | 1 | 1 | — | — | — | — |
| Fall over 10% | — | — | — | 1 | — | — | — |
| No comment | 5 | 10 | 9 | 7 | 1 | — | — |

## CAPACITY AND STOCKS

# Orders still the main factor

IN ALL THREE sectors surveyed last month more firms than before were saying that their current production schedules are now being determined, at least in part, by the rate at which export orders are flowing in. This may or not be a worrying sign—the increase in the number of firms saying this is not large, at least not yet—but it had the effect of checking the movement in the overall indicator of production constraints towards a more even balance between demand and supply factors.




Among other changes noted last month was a decline in the number of electrical engineering firms complaining about a shortage of skilled factory staff, and fewer mentions of raw materials in the cars and consumer durables sector.

In the case of stocks, the stores and consumer services sector were more inclined than before to say that their stocks were too high and were therefore expecting them to decline during the next 12 months, while electrical engineers were less inclined to say their stocks were too high and were accordingly expecting to increas them. This is another indication of the diverging trends in the consumer and industrial product sector of the economy.

## STOCKS

4 monthly moving total — May 1977

| | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Raw materials and components over the next 12 months will: | | | | | | | |
| Increase | 27 | 32 | 32 | 32 | 58 | 35 | 32 |
| Stay about the same | 57 | 53 | 46 | 37 | 42 | 58 | 28 |
| Decrease | 15 | 14 | 19 | 29 | — | 7 | 40 |
| No comment | 1 | 1 | 3 | 2 | — | — | — |
| Manufactured goods over the next 12 months will: | | | | | | | |
| Increase | 27 | 33 | 29 | 26 | 44 | 21 | 30 |
| Stay about the same | 56 | 55 | 57 | 50 | 34 | 32 | 19 |
| Decrease | 4 | 5 | 6 | 14 | — | 10 | 23 |
| No comment | 13 | 7 | 8 | 10 | 22 | 37 | 28 |

## FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total — May 1977

| | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Home orders | 82 | 83 | 83 | 81 | 94 | 91 | 90 |
| Export orders | 44 | 37 | 35 | 37 | 59 | 85 | 42 |
| Executive staff | 23 | 25 | 18 | 13 | 37 | 34 | 21 |
| Skilled factory staff | 16 | 21 | 21 | 28 | 12 | 38 | 23 |
| Manual Labour | 4 | 3 | 2 | 3 | 1 | 28 | 2 |
| Components | 3 | 3 | 3 | 7 | 3 | 4 | — |
| Raw materials | 12 | 16 | 18 | 19 | — | — | 1 |
| Production capacity (plant) | 8 | 12 | 9 | 11 | — | — | 2 |
| Finance | 1 | 2 | 2 | 3 | — | — | 1 |
| Others | 6 | 4 | 3 | 1 | — | 9 | 19 |
| Labour disputes | 12 | 12 | 15 | 15 | — | 15 | 30 |
| No answer/no factor | 7 | 7 | 5 | 10 | 1 | — | — |

## CAPACITY WORKING

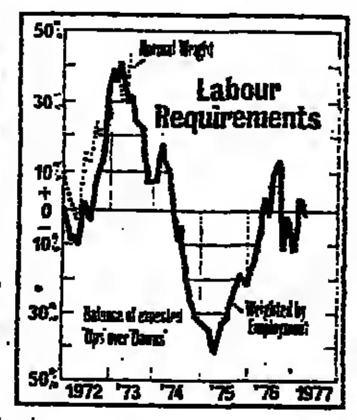
4 monthly moving total — May 1977

| | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Above target capacity | 11 | 7 | 5 | 8 | 34 | 6 | 21 |
| Planned output | 62 | 59 | 65 | 57 | 63 | 81 | 77 |
| Below target capacity | 23 | 30 | 28 | 33 | 3 | 13 | 2 |
| No answer | 4 | 4 | 2 | | — | — | — |

## INVESTMENT AND LABOUR

# Upturn in capital spending

THE LESS optimistic mood which is now prevailing in the stores and consumer services sector has put something of a brake, albeit only a slight one, on the trends towards a better outlook for employment and for investment. Thanks to the changed pattern of replies from this sector, the all-industry indicators for labour requirements and capital expenditure during the next 12 months both show a small decline this month.




The general picture remains basically unchanged however. With almost three firms in five now expecting to invest more in volume during the next 12 months, the signs of an investment upsurge are unmistakeable.

In the case of employment, on the other hand, as many firms expect to make do with fewer staff in the next 12 months as expect to take on more, while just about half of the all-industry sample expect to carry about the same number as now. Replies to further questions show that most companies believe they could attain full capacity working with virtually no change in their employment totals.

## LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total — May 1977

| Those expecting their labour force over the next 12 months to: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Increase | 23 | 28 | 30 | 25 | 6 | 9 | 26 |
| Stay about the same | 53 | 46 | 44 | 38 | 94 | 65 | 43 |
| Decrease | 24 | 26 | 25 | 37 | — | 26 | 31 |

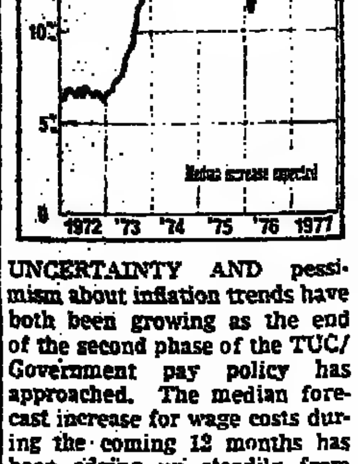
## CAPITAL INVESTMENT (Weighted by expenditure)

4 monthly moving total — May 1977

| Those expecting capital expenditure over the next 12 months to: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Increase in volume | 57 | 58 | 53 | 45 | 82 | 72 | 23 |
| Increase in value but not in volume | 6 | 8 | 8 | 8 | — | 2 | — |
| Stay about the same | 10 | 9 | 11 | 12 | — | 26 | 33 |
| Decrease | 26 | 24 | 28 | 35 | 6 | — | 44 |
| No comment | 1 | 1 | — | — | 12 | — | — |

## COSTS AND PROFIT MARGINS

# Inflation bets are hedged



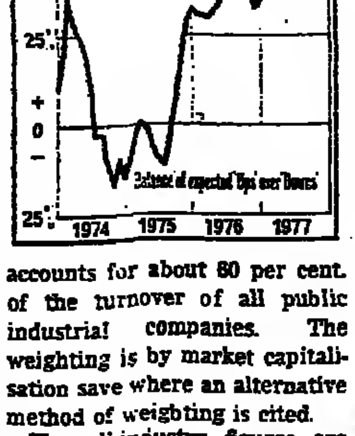

UNCERTAINTY AND pessimism about inflation trends have both been growing as the end of the second phase of the TUC/Government pay policy has approached. The median forecast increase for wage costs during the coming 12 months has been edging up steadily from 7-8 per cent. last summer to 10-11 per cent. now as more firms have had to take account of the possible trend of post-phase two settlements due to be negotiated during the next 12 months.

A similar upward tendency can be seen in industry's forecasts of the likely trend of total unit costs and output prices. The median forecast increases for both have risen from 11 per cent. last summer to 13-14 per cent. now.

On the other hand, industry has again become more hopeful about the possibility of returning to a more adequate rate of profitability, and all three sectors last month were more optimistic about profit margins during the next 12 months—in part because of increased output volumes and in part because of less stringent price controls.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries Index, which accounts for about 80 per cent. of the turnover of all public industrial companies. The weighting is by market capitalisation save where an alternative method of weighting is cited.




The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates Ltd.*

## COSTS

4 monthly moving total — May 1977

| | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Wages rise by: | | | | | | | |
| 0-4% | 7 | 7 | 12 | 13 | — | — | — |
| 5-9% | 27 | 24 | 30 | 43 | 46 | 13 | 20 |
| 10-14% | 31 | 37 | 33 | 25 | 1 | 14 | 50 |
| 15-19% | 3 | 4 | 6 | 5 | — | 7 | — |
| 20-24% | — | 1 | 1 | 1 | — | 3 | — |
| No answer | 32 | 27 | 18 | 13 | 53 | 63 | 30 |
| Unit cost rise by: | | | | | | | |
| 0-4% | 3 | 5 | 5 | 9 | — | — | — |
| 5-9% | 13 | 9 | 9 | 13 | 34 | — | 19 |
| 10-14% | 46 | 47 | 43 | 34 | 55 | 55 | 40 |
| 15-19% | 20 | 25 | 26 | 32 | 9 | 8 | — |
| 20-24% | 6 | 6 | 6 | 6 | — | 9 | 2 |
| No answer | 12 | 8 | 11 | 6 | 2 | 28 | 39 |

## PROFIT MARGINS

4 monthly moving total — May 1977

| Those expecting profit margins over the next 12 months to: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| Improve | 45 | 39 | 40 | 28 | 40 | 43 | 50 |
| Remain the same | 37 | 45 | 47 | 46 | 35 | 35 | 29 |
| Contract | 13 | 12 | 12 | 25 | | 22 | 21 |
| No comment | 5 | 3 | 1 | 1 | 25 | — | — |

# FT SHARE INFORMATION SERVICE

## **BRITISH FUNDS

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | |
| 26M | 25S | Treasury 11½pc '77‡‡ | 101⅛ | 17.2 | 11.37 | 7.46 |
| 15M | 15N | Treasury 3pc '77‡‡ | 98⅛ | 12.4 | 3.06 | 7.53 |
| 20J | 20D | Transport 4pc '72-77 | 98½xd | 15.11 | 4.06 | 6.91 |
| 15S | 15M | Treasury 9pc 1978‡‡ | 100⅛ | 7.2 | 8.99 | 8.04 |
| 14J | 14Ju | Treasury 10½pc '78‡‡ | 101¼ | 8.1 | 10.37 | 9.26 |
| 25M | 25S | Exch. 5pc '76-78‡‡ | 97¼ | 17.2 | 5.14 | 7.21 |
| 8S | 8M | Treasury 11½pc '79‡‡ | 102½ | 31.1 | 11.22 | 9.86 |
| 17M | 17S | Treasury 3pc '79‡‡ | 93 | 8.2 | 3.25 | 6.34 |
| 25M | 25S | Electric 4¼pc '74-79 | 94¼ | 17.2 | 4.51 | 6.98 |
| 1N | 1N | Treasury 10½pc '79‡‡ | 100½ | 25.3 | 10.43 | 10.13 |
| 15M | 15N | Electric 3½pc '76-79 | 93¼ | 12.4 | 3.75 | 6.53 |
| 3S | 3M | Treasury 9pc 1980‡‡ | 98½ | 25.1 | 9.14 | 9.61 |
| 14N | 14M | Treasury 9½pc '80‡‡ | 98¼ | 7.4 | 9.62 | 9.99 |
| 15D | 15J | Treasury 3½pc '77-80 | 90¼xd | 9.5 | 3.86 | 6.95 |
| 15D | 15J | Funding 5¼pc '78-80‡‡ | 92¾xd | 9.5 | 5.66 | 8.00 |
| 25M | 25N | Exchequer 13pc 1980‡‡ | 105⅞ | 18.4 | 12.16 | 10.55 |
| 15J | 15Ja | Treasury 11½pc 1981‡‡ | 103¼ | 8.6 | 11.14 | 10.33 |
| 15A | 15F | Treasury 3½pc 1979-81 | 87⅛ | 10.1 | 4.02 | 7.56 |
| 1O | 1A | Treasury 9¾pc 1981‡‡ | 98⅛ | 23.2 | 9.90 | 10.23 |
| 17M | 17N | Treas. Variable '81 | 93⅝ | — | — | — |
| 23M | 23N | Exch. 12¾pc 1981‡‡ | 107⅛ | 18.4 | 11.89 | 10.67 |
| 15J | 15Ja | Treasury 8½pc '80-82‡‡ | 95⅓ | 8.6 | 8.91 | 9.76 |
| 15A | 15F | Treasury 3pc '82‡‡ | 85⅛ | 10.1 | 3.52 | 6.75 |
| 16S | 16M | Treasury 14pc '82‡‡ | 112⅛ | 7.2 | 12.48 | 10.65 |
| Five to Fifteen Years | | | | | | |
| 22M | 22S | Exch 9¼pc '82 £40pd | 38⅝ | — | 9.72 | 10.46 |
| 17S | 17M | Treasury 12pc 1983‡‡ | 107 | 8.2 | 11.51 | 10.96 |
| 15J | 15Ja | Funding 5½pc '82-84‡‡ | 65¼ | 8.6 | 6.62 | 8.94 |
| 10J | 10Ju | Treasury 8¼pc '84-86‡‡ | 89⅜xd | 6.12 | 9.43 | 10.20 |
| 1N | 1M | Funding 6½pc '85-87‡‡ | 77⅝ | 25.3 | 8.44 | 10.26 |
| 25J | 25Ja | Treasury 7¾pc '85-88‡‡ | 83⅜ | 20.12 | 9.59 | 10.82 |
| 1J | 1Ju | Transport 3pc '78-88 | 57¼xd | 25.11 | 5.18 | 9.11 |
| 15A | 15O | Treasury 5pc '86-89 | 62 | 9.3 | 8.16 | 10.72 |
| 15J | 15Ja | Treasury 13pc 1990‡‡ | 107⅓ | 8.6 | 12.75 | 12.57 |
| 15D | 15J | Treasury 8¼pc '87-90‡‡ | 76⅜xd | 9.5 | 10.72 | 11.76 |
| 10J | 10Ja | Treas. 11¾pc '91 £15pd | 14⅛ | | 12.51 | 12.68 |
| 5O | 5A | Funding 5¾pc '87-91‡‡ | 61¼ | 1.3 | 9.46 | 11.47 |

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

S.E. List Premium

Conversion factor 0.7061 (0.7022)

## CANADIANS

| Dividends Paid | Stock | £ | Last xd | Div. Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Ma.S.J.D. | Bk.Montreal $2 | 11⅞xd | 28.4 | $1.00 | — | 5.2 |
| F.My.Au.N. | Bk. Nova Scotia $1 | 14⅞ | 22.3 | 86c | — | 3.4 |
| A.Jy.O.Ja. | Bell Canada 25c | 40⅛ | 9.3 | $4.08 | — | 6.0 |
| May Nov | Bow Valley‖ | 15⅝ | 4.11 | 10c | — | 0.4 |
| Oct. | Brascan‖ | 970p | 30.3 | $1.00 | — | 6.1 |
| F.MyAuN. | Can.Imp.Bk. $2 | 17⅝ | 22.3 | $1.40 | — | 4.7 |
| July Jan. | Can.Pacific $5 | 14⅛ | 29.12 | 80c | — | 5.5 |
| July Jan. | Do. 4pc Deb. £100 | 31xd | 15.11 | 4% | — | 12.9 |
| J.Ap.Jy.O. | Gulf Oil Can.‖ | 19⅛ | 21.2 | $1.06 | — | 3.2 |
| Ap.Jy.O.Ja. | Hawker Sid. Can.‖ | 405p | 21.12 | 36c | — | 5.2 |
| F.MyAuN. | Hollinger $5 | 23⅝ | 25.1 | $1.94 | — | 6.0 |
| Apr. Oct. | Hudson's Bay‖ | 11⅛ | 22.3 | 65c | — | 3.5 |
| Jan. July | Hud.B.Oil G. $2½ | 28¼ | 21.12 | $1.52 | — | 3.1 |
| Mr.Je.S.D. | Imperial Oil‖ | 15¼ | 23.2 | 86.4c | — | 3.3 |
| Jan.Ag.J.O. | Inco | 21⅜ | 18.2 | $1.60 | — | 4.4 |
| F.My.An.N. | Int. Nat. Gas $1 | 825p | 25.3 | 80c | — | 5.7 |
| Mr.Je.S.D. | Massey Ferg.‖ | 16⅛ | 8.2 | $1.00 | — | 3.6 |
| June Dec. | Pacific Pet. $1 | 21½ | 6.12 | 86.4c | — | 2.4 |
| — | Place Gas $1 | 35p | — | — | — | — |
| June Dec. | Rio Algom | 22¼ | 6.12 | $1.00 | — | 2.6 |
| M.Je.S.D. | Royal Bk.Can. $2 | 18⅜ | 21.12 | $1.38 | — | 4.4 |
| SeDeMrJu | Seagram Co. C$1 | 16⅞ | 22.2 | 86.4c | — | 5.1 |
| F.MyAuN. | Tor. Dom. Bk. $1 | 12⅞ | 1.4 | 76c | — | 3.5 |
| J.Ap.Jy.O. | Trans. Can. Pipe $3½c | 11⅝ | 21.12 | 95c | — | 4.8 |

S.E. List Premium 42⅞% (based on $1.8104 per £)

## BANKS AND HIRE PURCHASE

| Dividends Paid | Stock | Price | Last xd | Div. Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| January | ANZ $A1 | 320xd | 23.5 | tQ18c | — | 3.5 | — |
| Apr. July | Alexanders D. £1 | 215 | 14.2 | 12.83 | — | 9.2 | — |

Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## BUILDING INDUSTRY—Continued

## CHEMICALS, PLASTICS

## CINEMAS, THEATRES AND TV

## DRAPERY AND STORES

## DRAPERY AND STORES—Continued

## ELECTRICAL AND RADIO

## ENGINEERING, MACHINE TOOLS

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicle

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM



## MINES—Continued

### CENTRAL AFRICAN

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Nov. May | Coronation 25c | 40 | 20.9 | Q5c | 8.4 | 8.4 |
| Nov. May | Falcon Rh.50c | 100 | 28.3 | †Q35c | 1.7 | 34.2 |
| May | Rhod'n Corp. 16½p. | 21 | 28.3 | 0.56 | 4.3 | 7.8 |
| — | Roan Cons. K4 | 125 | 12.74 | — | — | — |
| Dec. July | Tanganyika 50p | 131 | 15.11 | Q10.0 | 0.8 | 7.6 |
| Jan. July | Do. Pref. 80p | 70 | 13.12 | Q9 | 10.2 | 10.3 |
| Nov. May | Wankie Col. Rh.1 | 31 | 12.4 | Q7½c | 1.5 | 23.7 |
| — | Zam.Cpr.SBD0.24 | 17 | 11.74 | — | — | — |

### AUSTRALIAN

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| — | Acmex 25c | 13 | — | — | — | — |
| Nov. Apr. | Bougainville 50 7oea | 61 | 15.3 | Q10c | 1.5 | 7.8 |
| — | BH South 50c | 121 | 9.74 | — | — | — |
| Oct. May | Conzinc Riotinto 50c | 335 | — | Q9c | 2.3 | 1.8 |
| — | G.M. Kalgoorlie $1 | 30 | 6.67 | — | — | — |
| September | Hampin Areas 5p | 94 | 26.7 | 1.3 | 5.0 | 2.1 |
| — | Metals Ex. 50c | 20 | — | — | — | — |
| — | Metramar 20c | 24# | — | — | — | — |
| Oct. Apr. | M.I.M. Hldgs. 50c | 218 | 31.1 | †Q4½c | 1.8 | 1.3 |
| — | Mount Lyell 25c | 25 | — | — | — | — |
| — | Newmetal 10c | 1½ | — | — | — | — |
| June Nov | North B. Hill 50c | 107 | 9.5 | †Q4½c | b2.6 | 5.2 |
| — | Nth. Kalgurli | 6½ | — | — | — | — |
| June Nov. | Oakbridge $A1 | 114 | 26.4 | †Q9c | 1.5 | 5.0 |
| — | Pacific Copper | 30 | — | — | — | — |
| — | Pancont 25c | £10¾ | — | — | — | — |
| — | Paringa M&Ex 5p | 13½ | — | — | — | — |
| Apr. Oct. | Peko-Wallsend 50c | 550 | 28.3 | Q15c | 2.7 | 1.7 |
| — | Poseidon 20c | 75# | — | — | — | — |
| — | Vultan Min. 50c | 9 | — | — | — | — |
| Oct. May | Westn. Mining 50c | 157 | 14.3 | †Q5c | 1.3 | 2.0 |
| — | Whim Creek 20c | 55 | — | — | — | — |

### TINS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Nov. Apr. | Amal. Nigeria | 19 | 9.2 | 0.93 | 0.9 | 7.6 |
| Apr. Oct. | Ayer Hitam $M1 | 325 | 14.3 | †23.0 | 1.4 | 10.9 |
| July Dec. | Beralt Tin | 44 | 14.3 | Z4.0 | 2.3 | 14.0 |
| Jan. July | Berjuntai $M25 | 425# | 14.3 | †Q1.5 | ϕ | 7.4 |
| Feb. Oct. | Geevor | 270 | 17.1 | t17.87 | — | 10.2 |
| — | Gold & Base 12½p | 21 | 10.74 | — | — | — |
| Apr. Dec. | Gopeng Cons. | 190 | 25.4 | 13.0 | 1.9 | 10.3 |
| — | Hongkong | 75 | 11.67 | — | — | — |
| Sept. Mar. | Idris 10p | 65 | 9.5 | 9.0 | 1.0 | 21.3 |
| — | Jantar 12½p | 8 | 4.67 | — | — | — |
| — | Kamunting 15p | 34 | 14.3 | 22.5 | 1.2 | 11.3 |
| Oct. Jan. | Killinghall | 410 | 29.11 | †Q50.0 | ϕ | 15.2 |
| Dec. June | Malay Dredging | 227 | 28.3 | †Q23.71 | 1.1 | 10.4 |
| June Dec. | ♦Pahang | 27# | 9.75 | †Q2.5 | 0.5 | 9.2 |
| April Jan. | Pengkalen 10p | 55 | 25.4 | 5.3 | 1.3 | 15.4 |
| Apr. Sept. | Petaling $M1 | 153 | 6.9 | mQ17½c | 10.9 | 2.1 |
| Jan. July | Saint Piran | 44 | 4.1 | t1.56 | 2.5 | 5.5 |
| Apr. Nov. | South Kinta 10p | 85 | 14.3 | †Q15.56 | 0.6 | 18.3 |
| June Jan. | Sthn. Malayan | 155 | 28.3 | †Q23.71 | 1.1 | 15.3 |
| July Dec. | Sungei Besi $M1 | 63 | 6.75 | — | — | — |
| — | Supreme Corp. $M1 | 40 | 9.74 | ZQ10 | — | 6.2 |
| Mar. Aug. | Tanjong 15p | 45xd | 23.5 | 6.25 | ϕ | 21.4 |
| Sept. Mar. | Tongkah Hrbr. $M1 | 60xd | 23.5 | †Q16.9% | 0.3 | 7.0 |
| Apr. Oct. | Tronoh $M1 | 110 | 14.3 | 14.29 | 2.0 | 6.0 |

### COPPER

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| June Dec. | Messina R0.50 | 152xd | 23.3 | Q45c | 2.8 | 19.8 |

### MISCELLANEOUS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| July | Burma Mines 17½p. | 9 | 5.75 | — | — | — |
| — | Charterhall 5p | 24½ | — | — | — | — |
| — | Colby Mines $C1 | 965 | — | — | — | — |
| Aug. Feb. | Cons. Murch. 10c | 455 | 4.1 | Q140c | 1.4 | 20.6 |
| July | Northgate C$1 | 330 | 3.75 | — | — | — |
| Jan. June | R.T.Z. | 232 | 9.5 | 8.0 | q3.1 | 5.3 |
| — | Sabina Inds. C$1 | 45 | — | — | — | — |
| — | Tara Expln. $1 | £14 | — | — | — | — |
| Nov. July | Tehidy Minerals 10p | 42xd | 23.5 | 1.19 | ϕ | 4.4 |
| Oct. | Yukon Cons. C$1 | 136 | 15.9 | Q6½c | 3.6 | 1.8 |

## NOTES

*Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p.* Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- £ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- φ Excluding a final dividend declaration.
- ÷ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p to the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 35

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## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv. 20p | 20 | ...... | Sayers 12½p | 32 | — |
| Ash Spinning | 40 | ...... | Sheffield Brick | 88 | — |
| Bertam | 17 | -1 | Sheff. Refrshmt. | 165 | — |
| Bdg'wtr Est. 50p | 215 | ...... | Shiloh Spinn | 20 | — |
| Clover Croft | 21 | ...... | Sindall (Wm.) | 65 | — |
| Craig & Rose £1 | 360 | ...... | **IRISH** | | |
| Dysco (R.A.) | 24 | ...... | | | |
| Ellis & McHdy. | 63 | ...... | Conv. 9% '80/82 | £93¾ | — |
| Evans Frk. 10p | 29 | ...... | Alliance Gas | 48 | +2 |
| Evered | 10½ | ...... | Arnott | 260 | — |
| Fife Forge | 48 | ...... | Carroll (P.J.) | 96 | — |
| Finlay Pkg. 5p | 22 | ...... | Clondalkin | 53 | — |
| Graig Ship. £1 | 345 | ...... | Concrete Prods. | 75 | -2 |
| Hallam Sleigh 10p | 10 | +½ | Heiton (Hldgs.) | 32 | — |
| Higsons Brew. | 90 | ...... | Ind. News | 67 | — |
| I.O.M. Stm. £1 | 162 | -1 | Ins. Corp. | 120 | — |
| Holt (Jos.) 25p | 222 | ...... | Irish Distillers | 67 | — |
| Kleen-e-Ze | 42 | ...... | Irish Ropes | 130 | — |
| Nthn. Goldsmith | 32 | ...... | Jacob | 46 | — |
| Pearce (C.H.) | 100 | ...... | Sunbeam | 17 | — |
| Peel Mills | 13 | ...... | T.M.G. | 85 | — |
| Robb Caledon 5p | 94 | ...... | Unidare | 68 | — |

## OPTIONS

### 3-month Call rates

Industrials

| | | | | | |
|---|---|---|---|---|---|
| A. Brew | 6½ | Hawker Sidd. | 40 | Tube Invest. | 30 |
| A.P. Cement | 18 | House of Fraser | 0 | Unilever | 40 |

FINANCIAL TIMES
Wednesday June 8 1977



# Another cut in home loan rates likely

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

ANOTHER CUT in the mortgage rate is expected to be announced this Friday by the building societies.

In April, the societies reduced the record 12¼ per cent. mortgage rate by 1 per cent. and dropped the investors' rate from 7.8 per cent. net to 7 per cent.

Since then, the lower rates have had no adverse effect on the inflow of funds into societies and April's record net receipts of £475m. may almost have been reached again in May. No final figure is yet available but it should be around £450m.-£460m.

It is against this background that the Council of the Building Societies Association will meet on Friday to see whether a further cut in interest rates is possible. It now looks as though another reduction will be decided upon, cutting the mortgage rate by either 1 per cent. or ½ per cent.

The societies will be anxious to ensure that any reduction does not turn off the flow of savings which now, because of their edge over most other competitors, is running at such high levels.

The movement still has to make up some of the lost ground caused by low receipts at the turn of the year and remains intent upon repeating the 1976 lending figure of just over £6bn.

At the same time, however, there is recognition that societies cannot justify paying out higher interest rates than the market requires and that a reduction would be of benefit to millions of home buyers.

Even so, there are some building society executives who are beginning to doubt the advisability of cutting their rates again.

## Mistakes

First, they believe that societies should derive the maximum benefit from their present position and continue to take in large volumes of funds for as long as possible, without endangering the inflow pattern by offering lower investors' rates.

In addition, they feel that the societies could find themselves repeating previous mistakes, where they have cut their rates to find interest rates generally beginning to move upwards again. As a result, funds have quickly been reduced and building society rates have had to follow others back up.

Despite the doubts, another reduction in investors' and borrowers' rates looks almost certain. If the mortgage rate comes down to 10½ per cent. it will be back to the level which persisted for most of 1976.

# Optimism grows that Government may ease HP controls

BY MICHAEL BLANDEN

HOPES ARE being renewed in the finance industry that the Government could consider relaxing the present tight controls on the terms of instalment credit deals for cars and other consumer purchases.

The Finance Houses Association, representing the leading instalment credit companies, has recently renewed its arguments to the Government for easing the rules. In a memorandum sent to the Department of Prices and Consumer Protection, the Association has again asked for the repayment period permitted for car purchases to be extended from 24 to 36 months.

The controls have remained unchanged at a one-third down payment and a two-year repayment period since they were re-imposed in December, 1973.

The Association has now updated the arguments it presented to the Government nearly a year ago for the limit to be eased.

The Association points out the rise in car prices has substantially exceeded the increase in average earnings over the period since the controls were imposed. This has meant the proportion of a wage-earner's income required to pay off a hire-purchase debt incurred to buy a new car has been substantially raised.

The Association's annual report this year showed that in 1973 the average earner required 18.9 per cent. of his disposable income to meet the repayments over three years on the average car in the 1001-1400cc range.

In 1976, he would have required 31.2 per cent. over two years. If permitted to spread the payments over three years, they would still have absorbed 23.3 per cent. of his disposable income. And the amount required has risen still further in the past year.

The main argument against easing the controls has appeared to be the danger that this would simply bring a further increase in imports at a time when the domestic car industry could not meet the resulting rise in demand.

The Association has questioned, however, whether it is appropriate for the instalment credit terms controls to be used in effect as a disguised form of import control.

Some City observers have suggested a change in the rules could form part of an economic package in July or in the autumn. Stockbrokers Phillips and Drew, for example, argued in their recent economic forecasts that there could be scope for reducing VAT or, failing that, some relaxation of HP controls, particularly on electrical goods.

# Callaghan may urge free vote on Europe

BY RUPERT CORNWELL, LOBBY STAFF

THE Prime Minister is leaning towards a free vote on the principle of direct elections to Europe, as the only means of handling the outright opposition to the measure that exists within the Cabinet as well as the Labour Party.

Mr. Callaghan has been helped on his way by clear signs from Mr. David Steel that he is ready to accept this virtually unprecedented breach of the doctrine of collective Cabinet responsibility — if it proves to be necessary to keep alive the Liberals' all-important Parliamentary pact with the Government.

## Key to pact

It is still unclear whether the Cabinet has taken a firm decision on the subject, but the Government's intentions should become plain when Mr. Michael Foot, the Leader of the House, makes his keenly-awaited "communication" early next week after the Commons has reassembled.

The promise to introduce a Bill on direct elections, coupled with at least a gesture towards the Liberal desire for proportional representation, was a key part of the deal last March.

However, for the Prime Minister to have demanded support from implacable foes of the measure — including Mr. Anthony Wedgwood Benn, the Energy Secretary, and Mr. Peter Shore, the Environment Secretary—could have led to resignations and threatened Labour's survival in office.

The free vote will obviously be disliked by committed pro-Marketeers, already fearful of Britain reneging on its pledge to other members of the Nine.

But it has been pressed not only by Cabinet rebels, but also, it is understood, by a bloc of some 20 junior Ministers, themselves part of the Government's "payroll" vote, and thus also obliged to toe the line.

If the compromise is adopted, a direct elections Bill in almost any form seems certain of securing a second reading (the main vote on the principle of the Bill) by the end of this session, backed by Labour pro-Marketeers, most Conservatives and the Liberals.

Assuming it is then re-introduced in the autumn, the real battle will centre on the method of voting, where the Tories generally favour the traditional first-past-the-post system, and above all on getting a majority for the "guillotine" time-table motion without which direct elections would be talked to death by anti-Marketeers.

But Mrs. Thatcher also needs to manoeuvre with the greatest care. At all costs the leader of the Opposition must avoid being boxed into a position where, by insisting on first-past-the-post, she can be made to carry the blame for sinking a Bill whose principles the party massively endorses.

# FT Monthly Survey of Business Opinion

## Investment set to rise but exports may be squeezed

ECONOMIC RECOVERY will continue to be based upon rising export sales and increased industrial investment during the next 12 months or so. But, while the upturn in capital expenditure looks like being a strong one, more and more companies are becoming concerned about the future price competitiveness and/or profitability of their exports.

This emerges clearly from the latest Financial Times monthly survey of business opinion. Exporters' worries stem mostly from the fear that the flow of North Sea oil will cause the pound to become over-valued and thus prevent exchange rate movements from reflecting in full the differences in national rates of inflation.

There has already been an increase, albeit relatively small, in the number of companies who say that their production schedules are now being determined, at least in part, by the flow of export orders.

Another area of uncertainty is the likely trend of wage settlements after phase two of the TUC/Government pay policy expires at the end of July. Industrialists have been steadily raising their forecasts of future cost and price trends.

On the other hand, industry is again becoming more hopeful about the chances of moving towards a more adequate rate of profitability during the next 12 months.

The outlook for investment also looks promising. Over half of the latest all-industry sample expect to increase the volume of their capital expenditure during the next 12 months.

Employment prospects are viewed more cautiously, however. About half the all-industry sample expect to make do with the same sized labour force as now while the remainder are equally divided between those who expect to need fewer and those who expect to take on more.

The latest survey, which involved new interviews with industrialists in electrical engineering, cars and the consumer durable industries, and stores and consumer service organisation, also brought out more clearly the diverging trend between the consumer product sectors of the economy and the remainder.

Retail sales have been declining, but export shipments have continued to grow and there are more signs of a revival in the capital goods sectors of industry.

Survey details Page 43

**EARNINGS ON CAPITAL**

| Those expecting earnings during current year to: | Feb.-May % | Jan.-Apr. % | Dec.-Mar. % | Nov.-Feb. % | Elect. Eng'g. % | Consumer Durables % | Stores % |
|---|---|---|---|---|---|---|---|
| | 4 monthly moving total | | | | May 1977 | | |
| Improve | 57 | 56 | 54 | 50 | 92 | 50 | 61 |
| Remain the same | 31 | 29 | 31 | 21 | — | 28 | 29 |
| Contract | 7 | 11 | 9 | 23 | — | 22 | — |
| No comment | 5 | 4 | 6 | 6 | 8 | — | 10 |

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# Ecevit confident he can form a Government

BY DOMINICK J. COYLE

ISTANBUL, June 7.

MR. BULENT ECEVIT, the man who as Turkish Prime Minister in 1974 launched the invasion of Cyprus which threatened a full-scale war between Greece and Turkey, has failed to secure his hoped-for overall majority in Sunday's General Election.

However, he has expressed confidence that he will be able to form a new Government when Parliament meets this month.

The final outcome in two of the country's 67 provinces had still to be decided to-night, but unofficial returns suggest that Mr. Ecevit's left-of-centre Republican Party (RPP) will be about a dozen seats short of the overall majority hoped for in the 450-member National Assembly.

The parties in the crisis-torn coalition headed by the Justice Party (JP) leader Mr. Suleyman Demirel will have enough seats between them to form another majority Rightest administration.

But in the first instance, at least, President Fahri Korutürk is expected to call on Mr. Ecevit, as leader of the largest single party, to try to form a Government. Should he fail, the armed forces might try to "encourage" the emergence of a so-called National Government made up of the RPP and the JP, despite the bitter personal rivalry between the two party leaders.

The former Prime Minister, whose short-lived coalition with the staunchly Islamic National Salvation Party (NSP) authorised the Turkish invasion of Cyprus in 1974, stressed following the elections that it was not necessary under the country's constitution for a new Government to secure an absolute majority when seeking its initial vote of confidence.

Mr. Ecevit is already at work trying to capture the support of the few independents elected in Sunday's poll, and at a news conference in Ankara yesterday he did not positively exclude another alliance with the NSP, the number of whose seats in the national assembly has been cut by half, to about 24—partly because of a major internal party split.

Mr. Ecevit has said his first priority would be to end the political violence on the streets and university campuses which has plagued Turkey for the past two years, and during which more than 200 people have died.

His close advisors suggested that "Rightest elements would be rooted out of the police force," a reference to followers of the neo-Fascist NMP which captured some 6 per cent. of the popular vote and may have as many as 15 seats in the Assembly, against four in the old Parliament.

The RPP leader has acknowledged that Turkey faces pressing economic problems, including an acute shortage of foreign exchange, while advisers to the Party consider there will be a need to reschedule some foreign debt obligations.

## Devaluation

More short-term still, there is widespread expectation in banking and business circles, once shared by the main political parties of an early and major devaluation of the Turkish lira (now 17 to the U.S. dollar), irrespective of the nature of the new Government.

At a time when his campaign managers had assured him privately, on the basis of partial returns, of coming within three or four seats of an overall majority of 226 (in fact the RPP is likely to end up with about 213), Mr. Ecevit spoke of a need to improve relations with the U.S. Government in the wake of the Cyprus invasion and the resulting U.S. arms embargo on Turkey.

He expressed willingness to open talks directly with Mr. Constantine Karamanlis, the Greek Premier, over the Aegean territorial dispute, but any initiatives would have to wait until the new Government was formed.

Mr. Ecevit emphasised that improved relations with Washington could not be achieved "by one-sided efforts alone," and it remains doubtful whether a Government under him would agree to negotiate seriously on a Cyprus settlement or an Aegean Sea agreement as long as the U.S. embargo remains in force.

That must be doubly doubtful now, given the new balance in the National Assembly where, in fact, the Justice Party has actually increased its representation.

Ecevit Profile Page 4

## Weather

U.K. TO-DAY

**London, S.E. England, East Anglia**

Sun and showers, perhaps cloudy later. Wind W., moderate or fresh. Max. 14C (57F).

**Cent. England, Midlands**

Sunny spells, showers developing. Wind W., moderate or fresh. Max. 14C (57F).

**S.W. England, Wales, Lakes, Channel Isles**

Squally showers, sunny intervals. Wind N.W., fresh or strong. Max. 12-14C (54-57F).

**E., N.E. England, Borders, Edinburgh, E. Scotland, Glasgow**

Scattered showers, sunny intervals. Wind N.W., moderate or fresh. Max. 9-11C (48-52F).

**Isle of Man, W. Scotland, Argyll, N. Ireland**

Bright intervals, showers merging in places. Wind N.W., gale force in places. Max. 10C (50F).

**Aberdeen, Moray Firth, Caithness, Orkney, Shetland**

Showers or longer outbreaks. Wind N., strong to gale. Max. 8C (46F).

**Central Highlands**

Wintry showers. Wind N., strong. Max. 5C (41F).

Outlook: Showers or longer outbreaks, sunny intervals.

**BUSINESS CENTRES**

| | | Y'day mid-day °C | °F | | | Y'day mid-day °C | °F |
|---|---|---|---|---|---|---|---|
| Alexandria | C | 26 | 79 | Luxembrg. | C | 12 | 54 |
| Amstrdm. | R | 13 | 55 | Madrid | S | 26 | 79 |
| Athens | S | 24 | 75 | Manchstr. | F | 11 | 52 |
| Bahrain | S | 35 | 95 | Melbourne | C | 12 | 54 |
| Barcelona | F | 23 | 73 | Milan | F | 21 | 70 |
| Beirut | S | 30 | 86 | Montreal | R | 15 | 59 |
| Belfast | F | 9 | 48 | Moscow | C | 20 | 68 |
| Belgrade | S | 25 | 77 | Munich | F | 21 | 70 |
| Berlin | C | 20 | 68 | Newcastle | S | 11 | 52 |
| Birmghm. | C | 9 | 48 | New York | C | 17 | 63 |
| Bristol | F | 13 | 55 | Oslo | R | 9 | 48 |
| Brussels | F | 11 | 52 | Paris | F | 14 | 57 |
| Budapest | F | 24 | 75 | Perth | S | 15 | 59 |
| B. Aires | C | 15 | 59 | Prague | F | 22 | 72 |
| Cairo | S | 30 | 86 | Reykjavik | S | 7 | 45 |
| Cardiff | C | 12 | 54 | Rio de J'o | S | 26 | 80 |
| Cologne | F | 16 | 61 | Rome | S | 25 | 77 |
| Copnhagn. | R | 12 | 54 | Singapore | S | 30 | 86 |
| Dublin | R | 11 | 52 | Stockholm | F | 15 | 59 |
| Edinbrgh. | F | 12 | 54 | Strasbourg | C | 18 | 64 |
| Frankfurt | R | 17 | 63 | Sydney | S | 17 | 63 |
| Geneva | F | 20 | 68 | Tehran | S | 33 | 92 |
| Glasgow | F | 11 | 52 | Tel Aviv | S | 24 | 75 |
| Helsinki | F | 15 | 59 | Tokyo | C | 24 | 75 |
| H. Kong | C | 30 | 87 | Toronto | S | 9 | 48 |
| Jo'burg | S | 31 | 88 | Vienna | F | 23 | 73 |
| Lisbon | S | 21 | 70 | Warsaw | F | 21 | 70 |
| London | C | 11 | 52 | Zurich | F | 19 | 66 |

**HOLIDAY RESORTS**

| | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 23 | 73 | Jersey | F | 13 | 55 |
| Algiers | S | 29 | 84 | Las Plms. | S | 22 | 72 |
| Biarritz | C | 16 | 61 | Locarno | R | 16 | 61 |
| Blackpool | F | 11 | 52 | Luxor | S | 38 | 100 |
| Bordeaux | C | 17 | 63 | Majorca | S | 22 | 72 |
| Boulogne | F | 12 | 54 | Malaga | S | 29 | 84 |
| Casablnca. | C | 20 | 68 | Malta | C | 21 | 70 |
| Cape Town | R | 16 | 61 | Nairobi | C | 28 | 82 |
| Corfu | C | 23 | 73 | Naples | F | 22 | 72 |
| Dubrovnik | S | 22 | 72 | Nice | F | 20 | 68 |
| Faro | S | 20 | 68 | Nicosia | S | 25 | 77 |
| Florence | F | 23 | 73 | Oporto | C | 16 | 61 |
| Funchal | F | 21 | 70 | Rhodes | S | 25 | 77 |
| Gibraltar | S | 23 | 73 | Salzburg | S | 22 | 72 |
| Guernsey | S | 13 | 55 | Tangier | F | 20 | 68 |
| Innsbruck | F | 21 | 70 | Tenerife | C | 17 | 63 |
| Inverness | R | 9 | 48 | Tunis | F | 24 | 75 |
| I. of Man | F | 9 | 48 | Valencia | S | 25 | 77 |
| Istanbul | S | 21 | 70 | Venice | C | 20 | 68 |

S—Sunny. F—Fine. C—Cloudy. R—Rain.

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## Saudi oil price

breach came late last month when Crown Prince Fahd said just prior to his visit to Washington: "We are prepared to raise the price of oil gradually between now and the end of the year so as to reach the higher price level."

The Kingdom has never made public the number of supply contracts entered into early this year when it set out to erode the higher price set up by the OPEC majority. They are believed to be for a year's duration initially but renewable.

Apart from them, the restoration of the limit on the Kingdom's production is not expected to create demand pressure on the average price of oil for the foreseeable future. Saudi Arabia never reached the new allowable level of production of 10m. b/d because of weather conditions and technical difficulties, including the big fire at one of its major fields last month.

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## Commonwealth leaders

changing political scene in South-East Asia since the Vietnam war.

To-morrow the talks are likely to move on to what is regarded as one of the conference's most important areas of discussion—the search for a new world economic order and the role the Commonwealth can play in bringing this about.

The meeting will review the limited achievements of the North-South dialogue in Paris last week as well as the final report of its own experts' group.

Two of the most delicate issues likely to be raised at the conference may be thrashed out at a special session early next week which will be limited to heads of delegations.

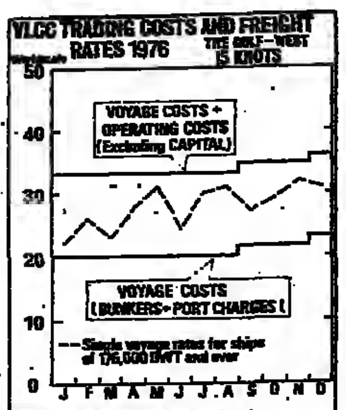
These are human rights issues, which might include the Uganda situation and the question of sporting links with South Africa, with the threat to next year's Commonwealth Games in Canada posed by New Zealand's refusal to order a complete sporting break with South Africa.

Other issues on next week's agenda are expected to be Cyprus, the growth of regional associations, both within and outside the Commonwealth, and co-operation among Commonwealth nations.

# THE LEX COLUMN

## Bank loans and th[e] tanker surplus

While many bankers do not hide their concern about lending to the real estate industry and the less developed world, it is virtually impossible to find a major bank (Hambros and European American Bank excepted) that confesses to having made sizeable provisions on shipping loans so far. This is despite the fact that the tanker crisis has been around for three years already, ship values have slumped dramatically and current freight rates often do not cover operating costs let alone debt servicing costs.




However, the next year to 18 months could be a far tougher period for bankers than many care to admit. First of all, it is clear that sooner or later there are going to have to be some hefty provisions against shipping loans. There is a limit as to how long these can be delayed especially since the shipping market still shows no signs of recovering. In addition, many of the ships which were financed at the height of the 1972-73 shipping boom are starting to come off charter and though part of their financing will have been repaid there is little hope of them being re-chartered profitably at present.

Finally, the crisis—which was initially confined to the tanker market—is now engulfing the bulk trades generally and owners who had been subsidising their tanker losses from the earnings of their dry cargo fleets are beginning to feel the financial pinch. Last month, Nissei Kaiun, a medium-sized Japanese shipping company with total debts of over $120m., defaulted on a bank loan, and the fear is that the problem which until now has been centred on the Scandinavian owners, mainly because of their past adventurous operations in the spot tanker market, is now spreading through the whole industry.

### Bank loans

The total mortgage debt outstanding on large ships afloat and on order was estimated at $38bn. by Fearnley and Egers last July, and tankers accounted for 70 per cent. of the total. More than half, and maybe as much as $23bn. of this debt is believed to be directly or indirectly guaranteed by governments and hence not at risk. The proportion of the remaining debt not being serviced is unknown but it was estimated last year that only $1.5bn. of shipping loans were in actual default. Since then various attempts have been made at assessing the total loans at risk. Fearnley and Egers, for example, have calculated that the debts of the independent tanker fleet not on charter last summer amounted to $4.3bn. and could rise to no more than $10bn. by 1980 on the pessimistic assumption that all loan repayments were deferred.

To put these figures in perspective, total bank loans to the non-oil less developed countries now amount to $75bn. As most of the shipping loans have been widely syndicated throughout the banking community bankers generally believe that they are not dangerously over-exposed on shipping.

Nevertheless, collateral values have fallen sharply over the last couple of years. A typical 260,000 dwt very large crude carrier (VLCC) costing $60m. in 1973 is now worth $15m., perhaps. If the bank had lent 80 per cent. on such a ship in 1973 with repayment over 10 years, $15m. might have been repaid by now but the residual loan of $33m. stands in the banks' books at over twice the ship's current market value. Provided the loan is backed by a long-term full payout charter all should be well, but often this is not the case and the current outlook for further profitable work once ships come off charter is bleak.

Nearly 60 per cent. of the independent tanker fleet consists of vessels of over 175,000 dwt and more than a third are unchartered at present. These vessels have to depend on the spot tanker market and since rates for VLCCs have been fluctuating between worldscale 15 and 30 over the last couple of years a typical VLCC has rarely been able to cover its total operating costs let alone service its debt. At worldscale 20 a VLCC loses roughly $0.5m. per round trip between Europe and the Gulf and would be better laid up. By contrast, an average VLCC on a time charter fixed in the early 1970s is probably earning the equivalent of worldscale 50-55 which will com[fort]ably cover operating costs [and] service borrowings.

### Lasting surplus

Some owners have re[cently] been entering into five-[year] time charters at rates [barely] covering trading costs (let a[lone] debt servicing charges) w[hich] offers little encouragement [for] the future. Despite canc[ella]tions of over 70m. dwt of [new] orders over the last couple [of] years and scrapping at the [rate] of 1m. dwt per month [the] existing fleet of 321m. dw[t is] still nearly a third too large [and] some of the oil companies [be]lieve that the surplus will [be] around until at least 1983.

One possible solution is [to] lay up vessels—almost [...] tonnes of tankers are curr[ently] in mothballs. However, it [has] been estimated that the cost [of] reactivating a large tanker af[ter] one year's lay-up amounts [to] close to $1m. and if a ship [is] laid up for more than th[ree] years, it might never be fit [for] active service again. Ano[ther] alternative is for tankers [to] steam at reduced speeds wh[ich] reduces the amount of exp[en]sive fuel consumed but as w[ith] laying up ships there are lim[its] to the amount of surplus ca[pa]city which can be absorbed [in] this manner.

More worrying, however, [is] the fact that the depres[sed] situation in the tanker mar[ket] is now spreading to the [dry] cargo market. Existing c[om]bined carriers which had b[een] transporting oil are now sea[rch]ing for non-oil cargoes w[hile] many tanker orders have b[een] converted into bulk ca[rrier] orders thereby exacerbating [the] surplus of dry cargo ships [and] forcing rates lower.

The principal problem is [that] world shipyards are capable [of] producing over 30m. tons [per] annum of new ships w[hile] potential demand is unlikely [to] be much above 10m. [tons] annually over the nex[t few] years. Governments are re[luc]tant to cut back production [for] various social reasons but u[ntil] they do, the world ship[ping] slump is likely to continue.

So far the banks h[ave] remained virtually unscat[hed] and the establishment of [the] Norwegian Guarantee Insti[tute] has cushioned them tempora[rily] from the worst effects of [the] Scandinavian tanker crisis. [But] as the financial strains spr[ead] the banks' ability to wind[ow] dress their balance sh[eets] decreases and if the indep[en]dent non-Scandinavian ow[ners] run into financial difficulties [it] is most unlikely that they [will] be bailed out by an equiva[lent] of the friendly Norweg[ian] Guarantee Institute.



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